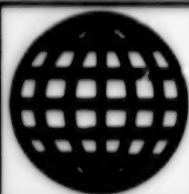


JPRS-CAR-90-078  
17 OCTOBER 1990



**FOREIGN  
BROADCAST  
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SERVICE**

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# ***JPRS Report***

# **China**

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# China

JPRS-CAR-90-078

## CONTENTS

17 OCTOBER 1990

### INTERNATIONAL

#### GENERAL

- Changing International Military Situation Assessed [GUOJI ZHANWANG No 12] ..... 1
- Official Attends Close of South Commission Meeting [XINHUA] ..... 3

#### SUB-SAHARAN AFRICA

- Zambia Receives Diplomatic Radio Network [Lusaka TIMES OF ZAMBIA 6 Sep] ..... 4

### ECONOMIC

#### PROVINCIAL

- Hubei Revenue Falls Short of Target [Wuhan Radio] ..... 5
- Jiangxi Revenue Increases 1985-90 [Nanchang Radio] ..... 5
- Concerns Over Shanghai Price Increases [JIEFANG RIBAO 20 Aug] ..... 6
- Coal Sales Departments Shut in Shanxi [CHINA DAILY (BUSINESS WEEKLY) 17 Sep] ..... 8

#### INDUSTRY

- Impact of Industrial Growth on Inflation Viewed [JINGJI RIBAO 28 Aug] ..... 9
- State's Rolled Steel Plan Underfulfilled [JINGJI RIBAO 28 Aug] ..... 10

#### COMMERCE

- Role of Patents in Enterprises [JINGJI RIBAO 31 Aug] ..... 11

#### FOREIGN TRADE, INVESTMENT

- Growth in Processing, Re-exporting Trade [XINHUA] ..... 13

#### AGRICULTURE

- Grain Issues, Strategies for 21st Century [ZHONGGUO NONGCUN JINGJI No 6] ..... 13
- Problem of Sugar Production Costs, Prices Explored [JIAGE LILUN YU SHIJIAN No 7] ..... 17
- New Policies Improve Animal Husbandry Development [CHINA DAILY 9 Oct] ..... 21
- Heilongjiang Tobacco Output, Exports [JINGJI CANKAO 4 Sep] ..... 21
- World Bank To Aid Liaoning Forestry Project [XINHUA] ..... 21
- Liaoning's Annual Cotton Purchases [Shenyang Radio] ..... 21
- Shanxi's Cotton Market, Textile Industry Down [SHANXI RIBAO 19 Aug] ..... 22
- Remedies To Decrease Sichuan Grain Subsidies [CAIJING KEXUE No 4] ..... 22
- Zhejiang's Forest Coverage Ranks First in Country [XINHUA] ..... 25

### SOCIAL

- Characteristics, Attitudes of Illiterates [JIAOYU YANJIU No 126] ..... 26
- Number of Lawyers Increases Since 1981 [XINHUA] ..... 27

## REGIONAL

### EAST REGION

Nanchang Party School Enhances Marxist World View [JIANGXI RIBAO 29 Jul] .....	28
Nanchang Launches Cadre Education Campaign [JIANGXI RIBAO 30 Jul] .....	28
Fuzhou Prefecture To Strengthen Organization Work [JIANGXI RIBAO 30 Jul] .....	28
Fujian Urges Increased Safety Measures [Fuzhou Radio] .....	30

### SOUTHWEST REGION

Tibet Publishes Over 60 Million Books in 10 Years [XINHUA] .....	30
--	----

### NORTHEAST REGION

Heilongjiang Outlines Public Security Goals [HEILONGJIANG RIBAO 26 Jul] .....	30
---	----

### NORTHWEST REGION

Janabil Addresses Unity, Religion in Xinjiang [XINJIANG RIBAO 2 Aug] .....	32
Uzbek, Xinjiang Garment Units Sign Agreement [Urumqi TV] .....	44
Xinjiang Sets Up Insurance Package for Foreigners [Hong Kong ZHONGGUO TONGXUN SHE] .....	44
Xinjiang Area Joins Nature Reserve Network [XINHUA] .....	44

### TAIWAN

Article Details Hsiao Tien-tsan's Return [TZULI WANPAO 5 Aug] .....	45
New Envoys Named to Guatemala, Solomon Islands [CNA] .....	47

### HONG KONG, MACAO

Formation of Political Groups Before 1991 Direct Elections [PAI HSING 10 Jun] .....	48
Drafting of Basic Law for Macao Proceeds Smoothly [LIAOWANG OVERSEAS EDITION No 26] .....	51

## GENERAL

### Changing International Military Situation Assessed

90CM0346A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 12, 23 Jun 90 pp 3-6

[Article by Li Qingshan (2621 1987 1472): "Developments in the International Military Situation"]

[Text] What will the international military situation be like in the future as tensions relax and especially as conditions in the Soviet Union and East Europe change? This article intends to provide a preliminary analysis.

#### I. The Bipolar Military Situation Will Develop With Increasing Rapidity Into a Multipolar Situation

Because the immense military power of the United States and the Soviet Union has not undergone any fundamental change, nor has this occurred in their rivalry with other military powers in the world, the current world military situation is still bipolar, but it is already developing in the direction of multipolarity. Evolution of the situation in the Soviet Union and East Europe have moved the Yalta status quo toward disintegration. Internal change in the Soviet Union and the countries of East Europe have made it impossible to maintain the integrity of the Warsaw Pact, and links between its members will grow continually looser. The military value of the other military bloc—NATO—will naturally decline now that it has lost its enemy. Its internal structure will also become looser. Under these circumstances, it will become imperative for some medium-sized and small countries affiliated with military blocs or a major power to search for new alliances and accelerate development of their own military power in order to satisfy their interests and security needs. This process of change is a process in which various forces disintegrate and recombine. It is a process in which a multipolar military situation is developing with increasing speed.

West Europe, centered on the European Community, will assume increasing international strategic importance. It is presently becoming a military pole. The EC has a population of more than 300 million, and the combined gross national products of its members in 1988 reached \$4.7453 trillion, which is close to that of the United States. The military expenditures of some countries is roughly five percent of gross national product and total yearly defense spending reaches \$100 billion. Some advanced weapons are comparable to those of the United States and the Soviet Union. The total ground troop strength of West Germany, France, Great Britain, and Italy is 1.7 million, and they have nearly three million reserve troops. Britain and France both have nuclear weapons and land- and sea-based launching systems. Although the military forces of the EC are now relatively loosely linked, relations are becoming closer and closer in such areas as arms control

and defense cooperation, and these countries are gradually reaching a consensus in these areas. In order to free themselves of U.S. control, they have achieved significant success in establishing an "independent European defense system." It is worth noting that a new center of gravity may form in Europe after Germany is reunited. A reunited Germany, with its 360,000 square kilometers of territory, 80 million citizens, 2.5 trillion mark economic output, will bestride the European continent as a world economic power. Not only this, a reunited Germany could have nearly 700,000 regular troops and 110,000 paramilitary and reserve personnel. The strategic position of such a powerful economic and military force can be imagined. Former U.S. Secretary of State Henry Kissinger said, "For at least 300 years, the status of Germany has been the key issue in European stability." The reunification of Germany must in the end lead to the disintegration of the two European military blocs and the collapse of the Yalta status quo.

Japan believes that, in view of the weakening of the United States and the Soviet Union, "the time for it to play its role as one of the world's military poles has arrived," and that it should "become the center of Asia and bear the burden of being a 'rock of Gibraltar' in the new era." Japan is now using its economic and technological superiority to extend its international influence. It is striving hard to become "one of the world's poles." Under the cover of sharing the burden of defense with the United States, it is aggressively developing its military power. After rising an average of six percent per year for four consecutive years, the 1990 defense budget has reached 4.1593 trillion yen (approximately \$29.3 billion), third highest in the world. Japan's Navy, Army, and Air Self-Defense Forces now have 274,000 troops, 45,000 reserves, 1,500 aircraft, 160 ships, and 1,100 tanks. A great amount of upgrading is carried out every year, and the level of modernization is comparable to that of the United States. Potential manufacturing capacity is among the best in the world. Japan has the ability to manufacture nuclear weapons and could make a nuclear device within a year.

Some developing countries are also now accelerating arms development and striving for regional military dominance. India now has 1.26 million regular troops, 4,500 tanks and armored vehicles, 139 submarines and surface ships, two aircraft carriers, and more than 1,000 aircraft. Its political will and military strength qualify it as a regional military power. In addition, such countries and territories as Brazil, Israel, Argentina, Iraq, South Korea, and the Philippines have all announced intentions to build up military strength.

#### II. Some Countries Will Carry Out Comprehensive and Thorough Readjustments of Military Policy

Due to the changes in the Soviet Union and Eastern Europe, the post-World War II cold war between East and West is undergoing a deep change. Political conflicts are being reduced, the military standoff has lost intensity, and mutual compromise and cooperation have



increased somewhat. As these relationships have continued to develop, the huge war machines built up by the East and West in the decades since World War II with an eye to a large-scale conflict have become unsuitable for actual conditions. Thus, the military policies of some countries will inevitably be comprehensively and thoroughly readjusted beyond the changes they have already undergone in response to the relaxation of tensions which has taken place in recent years.

1. Disarmament will be pursued vigorously in many different areas. Disarmament is a primary focus of international relations, and it is an important reflection of a country's military policy. Due to changes in the international security situation, not only the superpowers, but also some midsize countries and even some small countries will cut troop strength in different areas. Since this past spring, the United States and the Soviet Union have accelerated the pace of disarmament. In the next two to three years, the United States and the Soviet Union respectively will reduce troop strength to less than 2 million and 3 million. With regard to proposals to cut strategic nuclear weapons by 50 percent, they have reached basic agreement in many areas, including some technical issues. The signing of a treaty can be expected by the end of this year. As disarmament progresses, the United States and the Soviet Union could agree to deeper arms reductions in the future.

2. Military deployments will continue to be cut back and readjusted in a targeted manner. Over the past several decades the United States and the Soviet Union have pursued expansionist military policies all over the globe, vying everywhere for spheres of influence and stationing troops abroad. In recent years the United States and the Soviet Union have come to feel that deploying heavy military strength to face off against each other is not consistent with current military policy. The Bush administration has judged that the rapid changes in the Soviet Union and the Warsaw Pact have reduced the threat to the United States and NATO to "the lowest point since the end of World War II." The Bush administration believes that, as long as military superiority is maintained, military expenditures and troop strength can be appropriately reduced, some military bases can be closed, and the number of troops stationed abroad can be cut. The U.S. Department of Defense has announced an estimated military budget of \$3.033 billion in fiscal 1991, a two-percent real drop from 1990. This year, 69 military bases (14 overseas) will be closed or have their activities curtailed, four battleships and two aircraft carriers will be mothballed, 556 ships will be reduced to 466, and four army divisions will be eliminated. In addition, 20 weapons development projects will be terminated. Due to the strategic retrenchment of the United States and the Soviet Union, some medium-sized and small countries will pay more attention to their own interests and security concerns and readjust their military deployments.

3. The use of military force will be increasingly concentrated on limited conventional warfare carried out

against a backdrop of various deterrent forces. In the decades since World War II, the intense antagonism between the United States and the Soviet Union and the two big military blocs has cast a threat of a large nuclear war or a large-scale conventional war over the world. With the spirit of compromise and lowered tension between the United States and the Soviet Union, the danger of a large nuclear war or of a comprehensive world war is further receding. As international tensions relax, the use of military force will be subject to some strong restraints, and limited conventional warfare waged against the backdrop of various deterrents will occur more frequently. Particularly in some hot spots or potential hot spots, many different political forces exist, and relations are complex; it would be inconsistent with the international situation, or with anyone's foreign policy or national interests, to launch a large-scale war. For this reason, they can only choose methods of warfare that involve little risk, require little sacrifice, and incur little international political pressure.

4. Arms programs will pay greater attention to quality, long-range objectives, and flexibility. As the changes in East-West relations have unfolded, more nations have come to clearly understand that the former focus on a large war in the near future caused a continual expansion of military power, and that this focus no longer serves the domestic or external needs of their countries. Particularly in the United States and the Soviet Union, several decades of escalating military rivalry have not only seriously affected economic growth, this has also put them in a passive position in international politics. Thus, in view of the international situation, the United States, the Soviet Union, and some other countries will further concentrate on quality, flexibility, and long-term objectives as they build up their armaments.

President Bush, in his 1990 State of the Union address, said, "long-term security interests dictate that we must further modernize our nuclear and conventional arms." Although the 1991 defense budget will be two-percent smaller in real terms than the 1990 budget, spending for the development of strategic arms will be increased by \$10 billion. The administration plans to further develop its land-based mobile missile deployment, improve survivability, upgrade missile submarines and submarine-launched missiles, and buy B-2 Stealth bombers and advanced cruise missiles. At the same time, resources are being concentrated on development of the "Brilliant Pebbles" system in order to begin deployment by the end of the century. Conventional arms will also be greatly upgraded. The Soviet Union is preparing to abandon the "don't-let-them-get-away-with-anything" program which called for the Soviet Union to "overtake and surpass the United States in every military program and weapons system." Instead, they will award priority to the development of high-tech weaponry (laser, electromagnets, and particle beams), air reconnaissance, and early warning systems.

High-quality arms will greatly improve combat capability and enable reductions in troop strength. Troop

structure would become leaner, more efficient, and more flexible. When the danger of a world war further declines and limited wars and rapidly developing incidents become the main threat, it will be important for countries to establish forces with small numbers of personnel, strong capability for independent operations, fast mechanized mobility, and rapid response time. Some countries began in the early 1960's to establish various special forces or rapid deployment forces, such as the commando teams and the Green Berets of the United States, France's Rapid Deployment Forces, and Italy's Rapid Intervention Forces. These countries will further focus on establishing rapid response forces and perfecting their CI systems in the future in order to deal with wars in different regions with different degrees of intensity.

### III. International Military Conflict Will Become More Complex

The changing military situation and the development of various military forces means that any country must pay serious attention not only to the previous powerful enemies that present long-term threats, but they must also hold new enemies in check or fight against new opponents. The trend toward multipolarity in the military situation has caused a relative weakening of existing military powers, or has slowed down their development. New military powers are now arising. As this historical change unfolds, current military powers still have the greatest military strength in the world and continue to exercise the main influence in many areas of the world. On the one hand, the military superpowers will still regard each other as enemies and will continue to carry out policies of deterrence against each other. On the other hand, they will control and intervene against new military powers and rapidly developing military powers in the Third World. For example, the United States has emphasized that, at the same time that it continues to exercise deterrence against the Soviet Union and the Warsaw Pact, it "should pay attention to the formation of new power centers and should strengthen its ability to deal with regional, low-intensity conflicts."

Many nations will pay especially close attention to the growth of new military powers and military strength in neighboring areas at the same time as they look upon the United States and the Soviet Union as the main enemies. They have sought to maximize their own security interests by deepening and broadening diplomatic relations, forming new links on the basis of changed interest relationships, and seeking new alliances. They are doing this at the same time that they develop their own arms in order to fend off new military powers. They will also use various methods to restrict the formation of new power centers and will work hard to maintain their proper status. For example, at the same time that they regard the Soviet Union as the principal enemy and work to strengthen themselves, some countries in Western Europe have stepped up diplomatic activities because they fear that the reunification of Germany could cause war, threaten Europe's security, or erode their importance. They are resolutely opposed to German neutrality

following reunification and stress that Germany must remain in NATO. They have demanded that West Germany carry out its promise to NATO and have demanded that the United States maintain a military presence in Germany. They have stressed that Germany must honor agreements with the EC, and that the pace of reunification must remain in step with developments in the EC. They have also demanded that the reunification of Germany must enhance the stability of Europe, and that current European borders must not be changed.

The final point that must be stressed is the fact that as long as there are conflicts of interest in the world, and as long as hegemonism exists, tensions and the threat of war will always exist no matter how much people might wish otherwise.

### Official Attends Close of South Commission Meeting

OW0810044790 Beijing XINHUA in English  
0056 GMT 8 Oct 90

["South Commission's Final Meeting Ends (by Liu Yegang)"—XINHUA headline]

[Text] Arusha (Tanzania), October 7 (XINHUA)—The South Commission of the Non-Aligned Movement concluded its 10th and last meeting here tonight after reviewing its achievements and the serious economic situation facing the developing countries.

At the two-day meeting, leaders of the eastern and southern African countries exchanged views on the principal recommendations made by the organization's chairman Julius Nyerere in the commission's final report.

The leaders reviewed the commission's efforts and achievements in the mobilisation of the South countries to develop their ailing economies, to boost cooperations and to alter the unfavourable old international economic order, since it was officially formed in 1987.

The commissioners of the body agreed that although the South Commission would cease to exist after October 31 the publication of its final report marked the completion of the first phase of its course—mobilisation of the South peoples into development of various sectors, enhancing South-South cooperation and giving an impetus to the restructuring of the old global economic system.

They noted that the next phase should consist of actions to disseminate the final report, make its principal messages widely known, mobilise support for it throughout the South and also in the North to initiate specific activities in support of the recommendations in the report.

To this end, the South Commission has decided to establish an institution for a period of 18 to 24 months for the commission's follow-up work.

The institution, to be known as the "South centre," will comprise two offices, one in Dar es Salaam and the other Geneva. They will be operated under the leadership of chairman of the South Commission, Mr. Julius Nyerere. The members of the centre will be announced later.

The meeting called upon the South countries and peoples to continue their fighting for economic development in people-centred and self-reliant manner, and for the establishment of the new global economic order.

The South Commission will issue its final communique here tomorrow.

The meeting also discussed the Gulf crisis and its impact on the developing countries, especially the least developed countries.

In a statement adopted at the end of the meeting, the commission condemned Iraq's invasion of Kuwait and demanded the withdrawal of Iraqi troops from Kuwait unconditionally.

But the South Commission stressed that a just and peaceful solution to the Gulf crisis should be based on the fundamental principles of the Non-Aligned Movement.

The statement said that as both Iraq and Kuwait were members of the Non-Aligned Movement, "the movement has a legitimate and crucial role to play in the resolution of the crisis."

It noted that the commission "cannot approve the presence of foreign military force" in the Gulf areas.

It said that the Gulf crisis "also highlights the great importance of durable effective subregional, regional, and international arrangements being worked out by the Third World nations to resolve their conflicts in a peaceful manner."

The statement further noted the threat that faced the South countries by the rising oil prices and called on all parties concerned to double their efforts to end the crisis as early as possible.

Commissioners of the South Commission, including Mr Qian Jadong of China, attended the meeting.

The meeting was also attended by Kenyan President Daniel Arap Moi, Ugandan First Deputy Prime Minister Eriya Kategaya, Tanzanian President Ali Hassan Mwinyi, Zambian President Kenneth Kaunda, Mozambican

President Joaquim Chissano, Botswana President Quett Masire, and Namibian President Sam Nujoma.

Cuban Vice President Carlos Rodriguez and delegations from Zimbabwe and Angola also attended the meeting.

The South Commission was initiated in September 1986 and was officially formed in 1987 with the aim of promoting economic and political cooperations among the Third World countries and conducting dialogue between the South and the North to change the old international economic order.

## SUB-SAHARAN AFRICA

### Zambia Receives Diplomatic Radio Network

91AF0032C Lusaka *TIMES OF ZAMBIA* in English  
6 Sep 90 p 7

[Text] The Ministry of Foreign Affairs has established a diplomatic radio station to make it easier and faster to get in touch with various missions abroad and to foster political and economic ties with friendly countries.

The project was carried out by Chinese technicians and the installation of the radio network took about six months at the three stations in Lusaka at Kabulonga, Chilenje and at the ministerial headquarters.

Zambia and China signed an agreement on the official launching of the radio station at Cabinet Office yesterday.

Economic counsellor at the Chinese embassy Comrade Zeng Qing Chao signed for his country while Foreign Affairs permanent secretary Mr. Edward Chizi signed for Zambia.

Previously it was difficult to get in touch with missions abroad but with the installation of the new facilities there would be rapid communication with all missions abroad.

He said that kind of technology would make the world smaller and noted that other countries made deliberate efforts to advance their communication systems and Zambia had to keep abreast with the changes.

He thanked the Chinese government and its embassy in Zambia for initiating and completing the project in record time. The gesture would cement the already strong bonds between the two countries.

Cde Zeng said the project was part of technological exchange between Zambia and China.



## PROVINCIAL

### Hubei Revenue Falls Short of Target

HK1510125090 Wuhan Hubei Provincial Service  
in Mandarin 1000 GMT 13 Oct 90

[Text] At a province-wide emergency telephone conference on the work of revenue and expenditure yesterday afternoon, provincial Vice Governor Li Daqiang called on the governments at various levels to take immediate and energetic action to organize revenue-collecting so as to fulfill or overfulfill the revenue target for the whole year.

Li Daqiang said: Since the beginning of this year, because of a variety of factors such as weak market, slow operation of industrial production, drop of economic benefit in enterprises, and shortage of funds which has caused the "two owings and one occupying" (liang qian yi zhan) to stay at a high level, the increase in revenue has been restrained and the progress in revenue-collecting affected. The total revenue collected in the past nine months only takes up 59.6 percent of the target amount for this year, a decrease of 6.2 percent compared with the same period last year.

Along with the drop in revenue, expenditure increased by a big margin over the same period last year. Revenue and expenditure are seriously out of balance.

Li Daqiang said: There are only three months to go before this year ends. The task of reaching the annual target of revenue is very hard. From now on, various localities should rise to action immediately, take effective steps, and try every means to guarantee the fulfillment of the all-year target of revenue. In the meantime, financial expenditure should be resolutely retrenched to strike a balance between revenue and expenditure.

For this purpose, the provincial government calls on localities to do the following:

1. Install a leadership responsibility system and strengthen the leadership over finance and taxation. Relevant leaders should grasp the key points and, particularly, go down to the forefront of revenue-collection to supervise, organize, coordinate, and solve practical problems in good time.

2. Take effective measures to organize revenue-collection with great efforts. Governments at various levels and cadres responsible for revenue and tax-collection should do a good, solid job in spite of difficulties. It is necessary to divide the work into grades and pay closer attention to the important ones, and let units receive the tasks and individuals take the responsibilities. Tax departments at various levels should strengthen control over taxation. Apart from paying special attention to the laying up of industrial and commercial tax revenue, they should also do a good job in collecting revenue from income tax and the two economies [collective and individual], so as to ensure that the task of this

year will be accomplished. It is necessary to step up the effort to sort out the "two owings and one occupying" and do a conscientious job in re-examination.

3. Hold on to the austerity policy of finance and strictly control and retrench expenditure. It is necessary to hold on to the principle of exercising differential protection and retrenchment in expenditure in the remaining few months of this year: protecting wages, reform policies drawn up by the provincial party committee and the provincial government, normal office outlay, and essential administrative spendings; retrench the rest. Efforts should be made to keep the expenditure within the annual budget. For those units which fail to bring the revenue up to the target, their expenditure should be budgeted lower accordingly. It is necessary to make energetic efforts to reduce administrative outlay and strictly control non-productive expenditure. No new projects can be started before the end of this year. Some of those projects which have been listed upon approval from the authorities should be canceled or suspended, in view of the readiness of funds.

4. Tighten up control over financial budgeting and seek self-balance within each level.

### Jiangxi Revenue Increases 1985-90

HK0610060490 Nanchang Jiangxi Provincial Service  
in Mandarin 1100 GMT 3 Oct 90

[Text] Since 1985, financial departments of our province have cultivated a correct money management ideology and conscientiously grasped three links, namely, money-making, money-using, and money-saving. Our provincial revenue has witnessed a relatively rapid increase year in year out. It reached 3.749 billion yuan in 1989, representing a 150-percent increase over that in 1984 and exceeding the record annual increase of 500 million yuan for the first time. Both the amount and the growth of our provincial revenue reached an all-time high.

Over the past five years, our province has successively maintained a balance between financial expenditure and financial revenue and enjoyed a revenue surplus. The financial departments of our province have bravely opened up new vistas, actively kept forging ahead, boldly carried out reform of the enterprise income distribution system, supported production development, and increased revenue. Beginning from 1987, they began comprehensively implementing the contracted management responsibility system in all the state-run enterprises across the province by using the method of contracting a base figure, guaranteeing profit turned over to higher authorities, retaining surplus profit, and compensating for losses. Financial departments at all levels have also actively helped enterprises establish an internal management responsibility system and gradually establish an enterprise management mechanism which closely integrates responsibility, power, and profit. In the meantime, our provincial finance has also adopted a series of measures to reduce taxes and give up profit with the intention of readjusting the distribution relations

between the enterprises and the state and promoting production development. The provincial finance has also actively helped counties living on financial subsidies develop their economic work and assisted poor counties in their economic development.

While actively fulfilling local revenue quotas and maintaining a balance between financial expenditure and financial revenue, financial departments at all levels across our province have raised funds from various sources to support the development of all types of constructions and undertakings and mainly guaranteed funds supply to agricultural and educational developments. Over the past five years, our provincial financial budget has always first guaranteed increases in agricultural and educational development funds. The expenditure aimed at supporting agriculture increased from 270 million yuan in 1985 to 530 million yuan in 1989, representing a 99 percent increase and an average annual increase of 18.8 percent. The expenditure on the education undertaking increased by 66.7 percent. Our provincial finance has also provided price-difference subsidies to grain, cotton, oil crops, and other types of farm and sideline products and to chemical fertilizer, alcohol, and coal as well and provided price subsidies to meat, poultry, eggs, and vegetables. Over the past five years, various financial subsidies have amounted to 3.59 billion yuan. Our province has also actively fulfilled a 1.06 billion-yuan loan quota assigned by the central authorities and sold various types of bonds totaling more than 1.15 billion yuan for the state.

### Concerns Over Shanghai Price Increases

90CE0495A Shanghai JIEFANG RIBAO in Chinese  
20 Aug 90 p 5

[Article by Wang Yubao (3769 6735 1405) et al: "On Prices, An Issue That Concerns Everybody"]

[Text] Everybody worries about higher prices.

Since the beginning of this year, in accordance with the needs of economic growth and production development, and as approved by the State Council or the municipal government, Shanghai Municipality has systematically readjusted the price of some everyday necessities, such as toilet paper, toothpaste, soap, and detergent, which had been priced so out of line as to discourage continued production. The municipality has also readjusted the price of some goods and fees which may not be everyday necessities but still have a direct impact on our lives, such as milk, entrance fee to parks, and fares on public transportation. The introduction of these measures upsets some people. Comrades concerned about or work on economic tasks are aware that price increase in Shanghai has clearly slowed and is actually far below the limit set for the first half of this year, but they worry about a sudden and sharp increase later this year.

The guiding principle approved by the State Council for setting 1990 prices is to hold down price increase, adjust

the price structure somewhat, rectify price order vigorously, strengthen price management and inspection, and continue to deepen the price reform process to safeguard the overall stable situation and promote economic growth. In short, we want to stabilize prices and invigorate the economy at the same time. Like the rest of the country, Shanghai has been fairly successful in holding down the price increases so far this year: The consumer retail price index in the first half of the year rose at a slower rate each month, and between January and June, it has risen only 3.9 percent compared to the same period last year, which is considerably less than during the same period in 1988 and 1989. Overall, the people are fairly satisfied and are no longer as worried about prices as they were a couple years ago.

Why has the increase in the price of milk, toilet paper, toothpaste, soap, and other commodities worried some people? First, some comrades assume that these price increases signal a general price increase in the months to come. This is a misunderstanding. Second, some comrades do not understand the dialectical relationship between "stabilizing prices and invigorating the economy" well enough and are confusing "price stability" with "fixed prices."

As for the price trend in the next few months, we can focus our analysis on several areas:

**1. Stability comes first, and the party and the government are holding on steadfastly to the goal of keeping the overall price level down. In the next several months, there will be no significant price increase.**

Price is a very sensitive issue. Those who work with pricing have to deal with many things at the same time, from production, circulation, and state finances to everyday life. Prices also affect the country's overall situation and public confidence. A few years ago, because the economy overheated, supply-demand was out of balance, and inflation was serious, prices were soaring and some people saw their real income decline. The impact on the retired and low-income staff and workers was especially grave. Faced with the grim economic and social situations, the Third Plenary Session of the 13th Party Central Committee proposed the general policy to "improve the economic environment, rectify the economic order, and go all out to deepen the reform." The Fifth Plenary Session went on to make a decision to "further the rectification and improvement process and deepen the reform" and made controlling price increase and curbing inflation the primary goal of rectification and improvement. Complying with the instructions handed down by the party Central Committee and the State Council and guided by the party committees and governments at all levels, the commodity prices administration and industrial management departments stepped up control, management, supervision, and inspection of market prices and curbed the price increase impetus, and the situation began to stabilize. The people are very pleased. Having lived through those years of volatile prices, the people have

come to cherish today's basically stable prices, and they want to see that prices are kept fairly stable from now on. This is understandable. Similarly, the party and the government cherish today's situation of relative price stability. This has been a hard-won battle, and from this standpoint, keeping prices stable is not just what the people want but is going to be the primary task of governments and commodity prices administration departments at all levels for years to come. Since last year, like the rest of the country, Shanghai has taken many positive measures to maintain relative price stability, and she will continue to implement those measures in the future. Therefore, there can be no significant price increase in Shanghai in the next few months.

Second, let us look at the way product prices are being managed today. Prices (or fees) in the market are managed in three ways: State-set prices, state guidance prices, and market regulation prices. The magnitude of price increase is affected partly by the spontaneous increase in the price of goods subject to market regulation and partly by the planned readjustment of prices of goods subject to state price control. Today, the change in the price of commodities with state-set prices and state guidance prices is strictly controlled by the state. A change in the price of these commodities, or an increase in guidance price beyond the range set by the state, must be reported to the leading department via the commodity prices administration department and put into the state plan for approval. These prices cannot be changed without prior approval, and these commodities are basically controlled by the state. As we said earlier, the state cherishes this hard-earned situation of relative price stability and is not about to approve any price increase rashly. As for whether the price of goods subject to market regulation will increase significantly, it will depend on the supply-demand relationship. So far as the price of agricultural and sideline products and small goods already decontrolled, light industrial products not subject to state price management, and capital goods not under the "double-track pricing system" is concerned, since the market in general is stable, there is no external pressure to force prices up. Constrained by market demand, the price of the decontrolled products cannot rise, and if the price of some decontrolled agricultural and sideline products should soar, the state will surely take action to limit the increase.

There is one more very important point, and that is, since rectification and improvement began, the localities have realistically looked for and have found many effective ways to limit the price increase, and they have come across and have accumulated good experiences. In particular, they have been very successful in implementing the goal-oriented price control responsibility system. These methods, measures, and experiences will continue to be developed, improved, and perfected and will play their proper roles in keeping the price level down in the future.

**II. Relative price stability and essential adjustments are a dialectical unity. Stability is relative and is necessary, but**

**it is also essential to readjust some product prices. This not only will have no effect on the relative stability of prices, but will create the necessary condition to further stabilize prices.**

Prices have been stable so far this year, but the state has paid a high price for it. Like the rest of the country, Shanghai has also paid a high price, and some product prices are relatively stable only because of the substantial government subsidies. Subsidies now take up a large percentage of the government's total expenditure. To a certain extent, this has affected Shanghai Municipality construction projects. Some goods are subject to state price management, and because cost is higher than the sale price, and some local governments simply cannot afford the subsidies, enterprises are incurring losses. This to some extent has also undermined effective supply in the market, resulting in a situation where "people are willing to pay, but there is nothing to buy," which has made life difficult for the masses. Take toothpaste for example. Because the price of the main ingredients has been rising steadily, the Shanghai Toothpaste Factory has fallen on hard times again and again. Between 1985 and 1987, the plant's profit plunged 30 percent a year. Only because the price was raised in 1988 did it recover. But the price of raw materials rose again in 1989, raising the plant's cost by more than 40 million yuan. The plant quickly turned from a big profit-tax generator into a big money-loser. Although the plant has vigorously launched the "double increase and double economy" movement and has strengthened management, tapped potential, and lowered cost, it still has many problems. It is estimated that it would lose 400,000 yuan a month in wage bill and other expenses if it suspended operation, and it would lose more than a million yuan a month if it continued production. In order to keep up market supply, the plant has decided to continue operation but cut total production to minimize loss. This to some extent has affected sales in the national market and has reduced export. To help sustain the plant's production and increase effective supply, it has been given permission to raise prices. Milk is another example. It takes feed to raise milk cows, and the price of feed has been rising steadily, making it increasingly unprofitable to raise cows and preventing any increase in milk production. To encourage production and mobilize the peasants to raise more milk cows so as to meet the consumers' needs, the municipal government decided to raise the purchase price of milk, stabilize the sale price, and implement government subsidies to ensure market supply. Last year, the municipal government spent tens of millions yuan on milk subsidies. But the Shanghai Municipal government's revenue is dwindling and can ill afford the expense. Moreover, the sale price of milk is indeed too low and is out of line with the price of other foodstuffs. In the early days of liberation, a bottle of milk cost as much as half a jin of eggs or a bottle of beer; today, it is equivalent to one egg or a third of a bottle of beer. The distorted price of milk exacerbates the supply-demand conflict. To correct this condition, upon



receiving permission, the municipal government has agreed to adjust the price of milk beginning 1 July.

The Shanghai Municipal government gets its revenue from the people and spends the money on the people. Except for the portion handed over to the central authorities, practically everything else is spent on local constructions, essential expenditures, and government subsidies. If too much is spent on subsidies, it will to some extent affect the municipality's construction projects. Therefore, some product prices must be readjusted: some prices must be readjusted to ease the subsidy problem, and some to tide enterprises over because they have run into production problems. Two lines in a Tang poem aptly describe the much needed price readjustments today: "It took repeated pleading and urging before she would show herself, and then her face was still partly shielded by her papa when she appeared"—"Repeated pleading and urging" means extra caution, and "partly shielded" describes how the price readjustment only solves some of enterprises' many problems, and they must still tap their own potential and find other solutions.

Actually, approving a price increase when prices are way out of line is not in conflict with efforts to stabilize prices. It enables the government to spend its limited financial resources on subsidizing the truly essential construction projects and important products. Increased funding for construction also makes it easier to stabilize prices. This kind of planned readjustment of the price structure which takes into consideration the state's, enterprises', and individuals' financial capacity is necessary.

**III. In the long-run, in order to smooth out the pricing system, it is necessary to readjust the price structure, but we need leadership, and we must stress the important and proceed in a planned and systematic way.**

After a decade of reform, China's incoherent pricing system has been much improved, but it has not yet been completely straightened out. Since rectification and improvement, even before the price of commodities which should be readjusted has been readjusted, and when old problems are tangled up with new ones, a new distortion in the price structure has emerged. To promote sustained, steady, and smooth economic development and to further the reform process, it is imperative that we continue to smooth out the pricing system. Essentially, readjusting prices in a planned and systematic way is consistent with the goal of rectification and improvement; they facilitate and promote each other. One of the major goals of rectification and improvement is to optimize China's industrial structure and guarantee proper allocation of resources in society so as to put China's economic development on a benign cycle. China's poor industrial structure is reflected mainly in the sluggish development of the agricultural sector and the basic raw materials sector; they cannot keep up with the needs of the country's economic growth. The main purpose of readjusting the industrial structure is to

accelerate the growth of these two sectors in order to solve the "bottleneck" problem in China's economic development. Readjusting the price structure is an integral part of the readjustment of the industrial structure. If we fail to address the price structure issue, when the economy recovers, the old structural conflicts will reappear, which means there will be no retrenchment of businesses and industries with excess supply, and industries that produce goods in hot demand cannot increase their supply. Therefore, in the long-run, it will have a significant effect on reinforcing and amplifying the success of rectification and improvement and on promoting sustained, steady, and smooth economic development if advantage is taken of the favorable economic environment, initiative is taken, and the poor price structure is readjusted in a timely fashion. Of course, when the government and the commodity prices administration department readjust the price structure in a planned and systematic way, their program, the magnitude of price change, the timing and so on must be consistent with the principle of keeping the overall price level relatively stable, and they must take into full consideration what the parties involved can tolerate, provide leadership, emphasize the important points, proceed systematically, make meticulous arrangements, move ahead in steps, and implement with caution. At the same time, they must take determined measures and avoid reckless price increases. They must continue to rectify price order in the circulation sector and supervise and inspect market prices closely. We hope the masses of staff and workers will understand and support the proper readjustment of product prices, and we urge them not to worry about any subsequent general price increases of significance.

#### **Coal Sales Departments Shut in Shanxi**

HK1709040590 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 17 Sep 90 p 1

[Text] The government's axe has fallen on coal sales departments in Shanxi, China's leading coal-producing province, in an apparent effort to guarantee supply.

More than 500 sales departments, which the provincial governments decided were redundant, had been just down by the end of August, BUSINESS WEEKLY learned this week.

The figure represents nearly half the original number of departments which deal with transport and sales of coal and coke from the province.

"The province is now able to honour more than 95 percent of its sales contracts, compared with 85 percent a few months ago," an official from the Ministry of Energy Resources said.

Shanxi, which turns out one-third of China's annual coal supplies, provides about 250 million tons of coal and coke for use outside the province.

Sale of coal was monopolized by the State until the early 1980's when the central government allowed part of the

coal to be sold at negotiated prices, a measure the government believed would stimulate coal production.

Under the decentralized programme, hundreds of sales units were established at various levels of cash in on the nationwide shortage of the fuel.

Many of them, either State companies or those with connections to local influential figures, engaged in hoarding and cornering of the market.

As a result, consumers in many of the nation's power-restricted regions had to pay 100 to 200 yuan (\$21 to \$42) to purchase one tone of coal from Shanxi, three to five times more than the State-controlled price.

The situation caused rampant official profiteering, which took advantage of the price differential between controlled and unconditional supplies.

The Ministry official said the new move in Shanxi was part of the industry's efforts to restore control of the market, which began early this year.

For instance, the State Council had set a ceiling price for the coal that was previously exempt from central control.

Now, the official said, that coal could be sold only within a price range of 100 to 250 percent more than the State-controlled portion.

And the Ministry had suggested a unified coal price, which it hoped would ultimately restore the disordered market.

The central government had also decided to exert stricter control over coal transportation and allocation nationwide.

However there were worries that cutting too many sales units might increase coal stocks in the province, which topped 50 million tons by the end of last month.

But Shanxi Governor Wang Senhao, representing some of the optimists around him, said, "Coal will be in short supply in the long run" as industrial production had been picking up since April.

Official statistics reveal that the huge inventory of coal has slowed production.

## INDUSTRY

### Impact of Industrial Growth on Inflation Viewed

90CE0519A Beijing JINGJI RIBAO in Chinese  
28 Aug 90 p 3

[Article by Yang She (2799 3195): "Industrial Growth Rate and Inflation"]

[Text]I. Effect of Industrial Growth on the Way to Inflation

First, the high-speed growth of China's industry is being achieved with the general processing industries taking the lead in the growth; and the development of the energy, raw materials, and transportation industries, which are the industrial and economic foundation, is being seriously held back. This is the characteristic of the structural nature of China's industrial and economic development. Because of the lead in development taken by the general processing industries, the products of the energy and raw materials industries as well as the service capacity of the transportation industry are in excessive demand, causing the relationship between supply and demand for their products and service to become tighter day by day. Under the conditions of the specific characteristics of the market economy, this tight relationship between supply and demand is bound to be reflected in prices. First, the prices of energy and raw materials and of transportation service, because supply does not meet demand, will rise. After these price rises, energy, raw materials, and transportation service will be factored into the production of the general processing industries, after which they will cause a rise in the cost of industrial production, thereby becoming a driving force for a rise in the prices of the products of these processing industries.

Next, within China's industry and economy there exists a large number of enterprises that bring low results. The existence of this type of enterprise mainly depends on a strong external demand, which causes it to have the possibility, through constant raising of the prices of its products, to make up for the actual losses caused by the low results. But this strong external demand can only be formed under conditions of the expansion of the monetary policy. If there is a normal amount of currency, this type of enterprise will not have the conditions for a rise in the prices of its goods. Thus, given the particular kind of economic results in this industry, its growth is bound to require an even faster growth in the money supply. Herein lie, in recent years, the two different natures of China's industrial development and money supply. However, once the growth in money supply exceeds the growth in industry, it causes a rise in the level of prices as a whole, thereby forming, from growth in industry to growth in money supply, a recurrent process of price rises.

Again, under China's existing contract system, a high-speed growth in industry also entails a high-speed growth in the urban consumption fund. Also, although in the contract system the principle of linking results to profits is practiced, the result is often a system in which profits are taken but losses are not. Since reform began, there has been a tendency toward egalitarianism, and this tendency has not yet been eliminated. Thus, when the income of the staff and workers of profit-making enterprises grows in synchronization with results, the income of loss-taking enterprises, which are spurred by the clamor for competition and contained by the tradition of "eating out of one big pot," will similarly grow. Overall, there is bound to be an inflationary situation in

which the growth of the salaries and wages of staff and workers is faster than the growth of industry. If at this time agricultural growth, which is closely interrelated with consumption, can only be maintained at a relatively low level, high-speed growth in industry will bring with it a higher rate of growth in the consumption fund, which is bound to form a demand that far exceeds the capacity for agricultural supply and cause a rise in the prices of agricultural products.

## II. Bounds for Rational Industrial Growth

Because in China there is a close connection between industrial growth and inflation, in judging whether an industrial rate is appropriate, the degree of the effect of industrial growth on inflation cannot but be a highly important index. If one were to judge whether an industrial growth was rational solely from the angle of the degree of the effect of industrial growth on inflation, then, after determining the other factors (such as price reform and spontaneous price rises), besides the total inflation that one is prepared to bear and the industrial growth, one can determine the highest limit of a rational rate of industrial growth. If the total inflation rate that one is prepared to bear is 10 percent or below, the inflation rate caused by prices is stabilized at about five percent, and the spontaneous rise in prices is about two percent, then what can be tolerated is an inflation rate caused by industrial growth of only about three percent. If we grant in this way an industrial rate of eight percent, this shows that the highest rate of industrial growth is eight percent.

Here it is not difficult to see that the so-called rational industrial rate is a relative term, and that it is determined by many conditions. First of all, the size of the industrial rate is determined by the total rate of inflation that can be borne. If the total inflation rate that can be borne is nine percent or lower and is not 10 percent or lower, and also the factors of price reform and of spontaneous price rises are maintained at the present level and do not change, then the upper limit of the industrial growth rate could fall to seven percent. Next, the size of a rational industrial rate is also determined by the degree of the effect of factors other than industrial growth. If the pace of price reform is appropriately slowed, the effect of price reform on inflation is controlled at four percent or lower, and the total inflation rate that can be borne and the spontaneous rise in prices remain respectively 10 percent or lower and about two percent, then the upper limit of a rational industrial rate can be further raised to nine percent. Finally, the size of a rational industrial rate is also determined by the degree of the effect on inflation of industrial growth itself. It is further determined by the growth of basic industries and basic facilities, and in industry by the improvement of results and of the management system. If the growth of energy, raw materials, and transportation capacity were universally raised a hundred percentage points, there would be an improvement in the situation of bottleneck restrictions on industrial production, and the effect of industrial growth on inflation would be mitigated. With the total inflation rate that can be borne kept at 10 percent or lower, the other factors besides industrial growth affecting inflation will remain: the effect

of price reform on inflation is about five percent, such being the rational rate of industrial growth can be raised to nine percent. In addition, if the present industrial and economic results are improved, and the various irrational systems existing in reform are improved, thereby lowering the degree of the effect of industrial growth on inflation, it will raise the upper limit of a rational industrial rate.

## State's Rolled Steel Plan Underfulfilled

*VOCEUS/90 Beijing JINGJI RIBAO in Chinese*  
28 Aug 90 p 1

[Article: "Steady Slump in Orders for Plan's Rolled Steel"]

[Text] Because some production enterprises do not take into consideration the state's interests, "selling good materials at high prices and turning the top number of inferior materials over to the state," the situation of rolled steel in the state plan is becoming worse and worse. This year the level of fulfilled rolled steel orders fell to history's lowest point, only accounting for 78.9 percent of the state plan.

The variety specifications do not satisfy the need, a situation that sharpens the contradiction between supply and demand. In recent years, in order to sell their products at high prices, steel mills have turned over to the state fewer and fewer "short-line" varieties of rolled steel. For example, in 1988 the steel mills provided to the state 157,000 tons of the light rails urgently needed in coal production, this year the figure decreased to 122,000 tons. The 219mm diameter seamless steel tubes needed in power plant construction fell from 41,000 tons in 1988 to 15,000 tons this year. The ordinary medium plates of 10 mm and under fell from 814,000 tons in 1988 to 488,000 tons this year. The 2.5 to 4 mm ordinary hot rolled sheets fell from 728,000 tons in 1988 to 260,000 tons this year.

At this year's rolled steel order-placing meeting, the Ministry of Commerce only ordered, for the second half of this year, 75,300 tons of wire rods. There is a wide gap in the iron wire used in cotton packing and in disaster relief. The General Shipping Corporation only ordered on its manifest 50 percent of the medium plates used in shipbuilding, and this will seriously affect the fulfillment of this year's shipbuilding task. With regard to the variety specifications that did not satisfy the need, the Ministry of Materials, in line with consumer requirements, once let the steel mills readjust their production, and the Ministry of Metallurgy took steps for the same purpose. However, the steel mills, proceeding from what benefited them most, only readjusted a small part of their production and did not completely readjust it in accordance with consumer requirements. Recently, the State Planning Commission, Ministry of Metallurgy, and Ministry of Materials held a special meeting in Beijing. The meeting demanded that the steel mills readjust their production, but the latter still wanted high prices, which were impossible for consumers to accept, and only 70,000 tons were ordered. Because of their wide dissatisfaction with the overall distribution of rolled steel, consumers have reacted strongly. The China



United Coal Mine Corporation sent a report to the relevant department demanding that 2.5 million tons of the allocated refined and washed coal be cut from this year's plan and be used in exchange for rolled steel that has not yet been ordered. The Ministry of Communications and other units in succession have demanded that the state readjust the materials distribution plan. This readjustment would cause all the units to deduct materials in the state plan, thereby throwing the entire state plan into confusion.

The prices in the plan of rolled steel are in a serious state of confusion, causing the unified ex-factory prices of products in the national plan to exist in name only. At the same time, some of the already high prices for China-produced rolled steel resources are also constantly increasing. The steel mills even have more of the final say on those parts of specific prices that are high. Some production enterprises, in order not to hand over or to hand over less of the products in the state's directed plan, keep the products for sale by themselves and raise the prices on the products, so that it is impossible for consumers to accept the prices and the distribution index has to be abandoned.

Although there are various reasons for the emergence of these problems, the main reason is that some steel mills, for their own interests, disregard the state's interests, and lack the concept of viewing the country as a whole and lack organizational discipline. This situation cannot be allowed to continue, and measures must be taken to change it. The relevant departments have made four suggestions: First, each steel mill should, in line with the state plan, accept orders that are in accordance with the required variety specifications. If it does not, then the responsibility of the relevant personnel will be investigated, and there will be a corresponding readjustment of this year's materials distribution and this year's production and construction plans. Second, the "short-line" varieties produced by steel mills must first meet the needs in the plan, after which the steel mills will be permitted to sell the varieties themselves, otherwise, they will not receive the income from the varieties they sell themselves. Third, the relevant departments should check the prices of materials in the plan, and steel mills that have arbitrarily raised prices must be resolutely stopped from doing so and, in line with the relevant regulations, be penalized. The high prices in the plan should be brought down lower than the market prices, and, in accordance with the methods of price control, be examined, approved, and checked. The prices of the resources, the sales of which are outside the plan but still guided, must not be higher than the market prices, business transactions with them must be clear-cut and the enterprises must not seek exorbitant prices and act as they please. Fourth, an enterprise's acceptance of orders in line with the state distribution plan and its delivery of goods according to contract should be made indices for assessing whether the enterprise should be promoted one grade. An enterprise and its general manager that do not accept orders in line with the state distribution plan and that do not fulfill the goods-delivery contract should not be given the respective designation of first-grade enterprise and labor model; an enterprise and its general manager that have already been assessed to the state as first-grade enterprise and labor model, but that do not accept orders in line

with the state distribution plan and that do not fulfill the goods-delivery contract, should have those designations rescinded.

## COMMERCE

### Role of Patents in Enterprises

WOC105164 Being JINGJI RIBAO in Chinese  
J1 Aug '90 p 2

[Interview with Gao Lulin (7559 4151 7792), Director of China's Patent Bureau, Conducted by Guo Xiao (6753 2556), JINGJI RIBAO reporter, date and place on given]

[Text] It has been 11 years since China began to set up its patent system in 1979 and five years since its patent law was put it to effect. What kind of headway has been made during all these years of effort? This reporter is especially interested in patent work as it relates to enterprises. For this reason, we recently visited the director of the state Patent Bureau Gao Lulin.

[JINGJI RIBAO] According to reports there is extremely strong competition in the world market for patented technology, and at present, there exists a triangular competition involving Japan, the United States, and Europe. The struggle for superiority is still quite fierce.

[Gao] With respect to the world market for patented technology, prior to the seventies, Japanese industry focused on making copies. Relying on their great economic strength and large amounts of technology "borrowed" from Europe and the United States, it then made great strides in the invention and creation of new products and new industrial technology. Later, Japan became dominant. In looking at the absolute figures for the number of patents applied for abroad and in Japan, we see that in 1988, Japanese enterprises applied for a total 350,000, U.S. enterprises applied for approximately 100,000, and the various countries in West Europe, when taken together, applied for a little over 100,000, most of which were applied for by enterprises.

Why do enterprises in the various countries of the world pay so much attention to patents? Because in today's world economic growth more and more depends on science and technology. The possession of patented technology can enable enterprises to win out over the competition. I would like to underscore that patent work is not only scientific and technological work, it is also a component of economic work. Speeding up the development of patents not only benefits the growth of new technology, enhances China's industrial production, and vitalizes the market, it also is good for developing international economic and technological exchanges. I hope that leaders at all levels as well as the enterprises can pay more attention to this.

Although China began patent work late, its development has been rapid. Since China began accepting patent applications from at home and abroad in April 1985, we

have to date received more than 145,000—of which 81.1 percent were from within the country. Before 1988, domestic and foreign patent applications showed a progressive annual increase of 33.3 percent. We have received 19,179 domestic and foreign patent applications during the first half of 1990, including 415 from Taiwan, and this constituted a 19.9 percent increase in applications compared with the first half of 1989. When compared with countries abroad, the growth in Chinese patents is most encouraging.

[JINGJI RIBAO] Patent work in enterprises abroad is particularly active. Statistics for the 18 months beginning in early 1988 and ending in mid-1989 show that Mitsubishi, Toshiba, Hitachi, and Fuji are ranked among the first 10 major firms in the world which applied for the most patents, and some of these Japanese firms are still in the forefront. How is the patent work of China's enterprises progressing?

[Gao] The basic purpose of our country implementing a patent system was to promote, under protection of the law, the exchange of technical data and the dissemination and application of new technology and new products. Enterprise patent work constitutes the foundation of China's patent work and is the principal basis for putting patented technology into effect. The decision to strengthen enterprise patent work made at the Second National Conference on Patent Work in 1986 fixed a target of including 4-5,000 large- and medium-sized enterprises in patent work during the Seventh 5-Year Plan and to use another three to five years to raise the consciousness of factory directors for patent work while emphasizing it in more than 10,000 large- and medium-sized enterprises, thereby to spur on the other enterprises. This will enable the vast number of enterprises to include patented technology in their overall planning for technical progress and to include the unfolding and implementation of patented technology in their plans for technological renovations, for the trial-manufacture of new products, for the introduction of technology, and for foreign exports.

We have already achieved initial success in this effort. For example, Jiangsu Province has more than 500 enterprises which have been classed as experimental units, and Shandong Province has more than 200 enterprises doing patent work. In 1986, there were only 2,007 patent applications from enterprises throughout the country. Later, this increased each year, and in the first half of 1990 alone, 2,603 applications were received, more than a 60 percent increase compared with the same period in 1989. According to a random survey of patents already awarded and patent applications under consideration before June 1989, the implementation rate for China's patented technology and technology for which patents were being applied for was about 30 percent. Statistics show that 11,900 patented items that have been implemented produced a total of 12.93 billion yuan in newly increased output, 2.34 billion yuan in newly increased profit taxes and, \$400 million in foreign exchange. In

1989, we judged 10 items worthy of the "Chinese patented inventions and creations award." These 10 items alone produced 480 million yuan in newly increased output value, 120 million yuan in profit taxes, and \$15 million in foreign exchange.

As for specific enterprises, after Anshan Iron and Steel Company implemented its "patent for atmospheric corrosion resistant dilute alloy steel," there was a new increase in profit taxes of 19.9 million yuan. At the same time, the social efficiency produced by extending the lifetime of the equipment and reducing the rate of repairs has now reached 430 billion yuan. Last year when refrigerator sales were slow, the Anhui Yangzi refrigerator production plant utilized four patented technologies to produce 150,000 refrigerators. They were well received in the market, and in one fell swoop, the plant earned 21 million yuan in profits. In sum, even though the market was in a slump at the time, the market for patented products was not. Production and sales both increased.

[JINGJI RIBAO] At present we are in the midst of improvement and rectification, enterprises are having a difficult time, and there are so many tasks to perform. How are these circumstances affecting enterprise patent work?

[Gao] Indeed, enterprises in China are now encountering widespread difficulties. However, as I just pointed out, enterprises which pay attention to patent work and which produce patented products are doing relatively well. Economic readjustment means cutting back on oversupplied and technically backward goods and developing goods which are in demand and technically advanced. This is why I think that, if enterprises are to surmount this crisis, they have to promote technical progress, and this includes strengthening enterprise patent work. The market situation now is grim. Enterprises are facing a number of difficult problems. Perceptive enterprise leaders will recognize that we are now at a major turning point in the development of enterprise patent work. Seizing this opportunity will benefit enterprise growth enormously.

Viewing the situation as a whole, we have high hopes for the implementation of patents by China's enterprises. But strictly speaking, most of them still do not truly understand the patent law and the importance of the patent system. The number of patents that enterprises apply for does not come close to corresponding to China's more than 10,000 large- and medium-sized enterprises and its 5.45 million state-run and collectively owned enterprises. The implementation of patented technology is still the weak link in overall patent work. There is a lack of necessary funds and means, as well as appropriate preferential policies. Of course, it is not all because of the enterprises that these problems exist. Some problems have to be coordinated and resolved by the departments in charge. But as far as the enterprises themselves are concerned, many of them, after developing new products and new technologies, neglect to

apply for patents. The result is that they waste a great deal of effort. Once a product comes on the market, it is often copied, loses sales, and suffers economic loss.

At present, the protection of intellectual property rights is receiving a great deal of attention internationally. China is also working on this. Patents belong to the category of intellectual property rights. Enterprises which do not pay attention to patent work are neglecting to protect their own legal rights and neglecting to develop international markets and international economic and technical exchanges. There are a number of lessons to be learned in this regard. I sincerely hope that, with the strong cooperation of the news media, we can further strengthen everyone's understanding of patents and thereby achieve greater efficiency through the development of patent technology and its implementation.

## FOREIGN TRADE, INVESTMENT

### Growth in Processing, Re-exporting Trade

OW1309031490 Beijing XINHUA Domestic Service  
in Chinese 0800 GMT 11 Sep 90

[Text] Guangzhou, 11 Sep (XINHUA)—A national conference on customs supervision and management of materials imported for processing ended here yesterday and a reporter learned that imports for materials for processing and re-exporting developed rapidly in the past two years. This has become a dominant force in China's foreign trade.

According to customs statistics, the gross national import and export value in this regard reached \$12.68 billion in 1988, an increase of 68.7 percent over 1987. It came to \$19.23 billion in 1989, up 51.7 percent from 1988. From January to July this year, it was \$12.17 billion, a nearly 30-percent increase over the same period of last year.

Importing materials for processing is a form of trading where foreign exchange is used to import raw materials, semifinished products, and components and parts for processing and reexporting. This kind of trading has thrived since the policies of reform and opening to the outside world were implemented. The variety of goods imported for processing increased. Sophisticated, complex, and multiregional processing became a developmental trend. While reinforcing supervision and management under the new circumstances, customs authorities in all localities adopted all sorts of measures to facilitate development and provided bonded services for goods. This was in an effort to promote trade in this respect.

## AGRICULTURE

### Grain Issues, Strategies for 21st Century

90CE0350A Beijing ZHONGGUO NONGCUN JINGJI  
[CHINA'S RURAL ECONOMY] in Chinese No 6,  
20 Jun 90 pp 20-24

[Article by Huang Bufan (7806 0008 0416), of the Agricultural Economy and Scientific and Technical Development Research Center of the Chinese Academy of Agricultural Sciences: "China's Grain Issues and Strategies for the 21st Century"]

#### [Excerpts] [Passage omitted] 1. The Social Requirement for Grain Is Constantly Growing

[passage omitted] According to calculations, the population of China will grow to 1.2 billion by 1995, 1.28 billion by 2000, and over 1.5 billion by 2020. In terms of our standard of living we will enter a stage of transition from underdeveloped nation to mid-level developed nation. The average annual demand for grain per capita will rise to 370 kg, 400 kg, and 450 kg in those three years, respectively, and the total national grain requirement will reach at least 444 million tons, 512 million tons, and 645 million tons. The people's grain ration will comprise 63.5 percent of the total grain requirement in 1995, 58.6 percent in 2000, and 53.5 percent in 2020, whereas fodder grain will constitute 22.5 percent, 25 percent, and 26.7 percent, respectively, and grain for seed, industrial use, and other uses, taken together, will amount to 14 percent, 16.4 percent, and 19.8 percent in those three years, respectively.

The above per capita grain requirement is figured based on a guarantee of meeting basic nutritional needs. The foundation for these figures is as follows: (1) Data from the Second National Nutritional Survey in 1982 indicate that people take in 2,485 calories per capita per day in their diets, including 66.5 grams of protein and 49.3 grams of fat. The amount of heat energy we absorb is approximately equal to that of a middle-income nation, we are already able to satisfy our physical requirements. Our protein consumption is a bit low—only approximately equal to that of a low-income nation. (2) Consequently, as we maintain an Eastern-style diet, high in cereals (that is, 92 percent of the calories and 80 percent of the protein come from plant foods), it is also essential for us to increase our consumption of animal foods. (3) In the future we will still have to depend on agricultural districts to supply over 95 percent of our meat products (a production level of 18 to 20 million tons), as the grassland pastoral districts can supply only four to five percent (a production level of approximately 0.8 to 1.2 million tons). Thus, the increase in our grain requirement will be used chiefly as fodder. In other words, the development of livestock and poultry husbandry will, to a considerable degree, be limited by growth in grain production, particularly by supply and demand for fodder grain.



## II. An Analysis of Grain Production Potential and Target Yields

Production potential refers to the yield of a certain crop or crops under some future production process in a situation of relatively high or even maximum output.

Quite obviously, production potential is a major factor we must consider when projecting grain output and determining target yields. Based on further analysis and study of grain production potential, we used conventional methods of analysis, the deductive method, and mathematical models to produce status and quantity estimates for grain target yields during the three different time frames outlined above. These estimates revealed that, if the grain crop area under cultivation remains relatively stable at 1.64 billion mu, gross grain output in 1995 may reach 425-444 million tons and per capita grain holdings may reach 354 to 370 kg—increasing at an average rate of 0.9-1.4 percent per year (figured based on the average output for the 1984-1988 base period). In the year 2000 it is possible that gross grain output may reach 470-500 million tons and per capita grain holdings may reach 367 to 391 kg—increasing at an average rate of 1.6-1.9 percent per year. By 2020 it is possible that gross grain output may reach 616-656 million tons and per capita grain holdings may reach 411 to 437 kg—increasing at an average rate of 1.4-1.5 percent per year. It looks as though growth in average per capita grain holdings is extremely slow, and unless we make a major breakthrough it will be difficult to change the fact that in the long term there is no surfeit of grain in sight.

From the perspective of potential growth in yields, we still have the potential to raise grain production 100 billion kg over the current level of 400 million tons. However, the regional distribution of this potential is very uneven. In horizontal comparison, northern China and the middle and lower reaches of the Chang Jiang have the greatest potential: 33.5 billion and 36.1 billion kg, respectively. Northeast, northwest, and west China have the potential to produce 8.39 billion, 8.31 billion, and 8.25 billion kg of grain, respectively. South China has a relatively small production potential of approximately 6 billion kg. If we make a vertical comparison among the individual crops, there is still potential for an additional 33 billion kg rice, 18.1 billion kg of wheat, 19.6 billion kg of corn, 10.6 billion kg of potatoes, 5 billion kg of soybeans, and about 14.2 billion kg of variety grains. Categorized by season, this works out to 24.1 billion kg of summer grains and 76.4 billion kg of autumn grains; categorized by consistency, it amounts to 34.8 billion kg of coarse grains and 65.7 billion kg of fine grains. The crucial point in this matter is that we must formulate and perfect effective policies and measures to tap these areas of production potential. An analysis of the input/output matrix for intermediate and high-level production potential indicates optimistic prospects for tapping this potential.

From the perspective of yields per unit of area, grain production has been growing consistently. [passage

omitted] After the PRC was founded it was due solely to inputs of modern production elements—increased application of chemical fertilizers, expanded irrigation area, increased use of motorized agricultural machinery, and breeding of new crop varieties—that by 1980 we were successful in restoring unit grain yields to the mid-Qing level of 183 kg. We made the breakthrough to 200 kg for the first time in 1982, to 241 kg in 1984, and to 243 kg—a historic high—in 1989. In the future we must rely primarily upon increasing unit yields and expanding multiple cropping area to raise grain output. In order to sustain an average level of 375-400 kg per capita, we must achieve two successive breakthroughs in unit grain yields nationwide: by the end of this century we must produce 250 kg per unit of area, and by the beginning of the next we must produce 300 kg per unit of area. That is, at minimum, we must ensure that the average yield nationwide reaches 300 kg per mu, or more optimistically, that it reaches 310 kg per mu. If we do not introduce or input more new production elements it will be nearly impossible to sustain a grain yield of almost 400 kg per capita.

As for increasing the multiple cropping index, as production conditions improve there will be an additional 10 percent potential nationwide. This is one major advantage to making the best use of light and temperature conditions in farming. Each degree of increase in the multiple cropping index is equivalent to increasing the cultivated land area by 15 to 20 million mu per year or producing an extra 3.2 million tons of grain. If we can raise the multiple cropping index from the current 151.2 percent to 155 percent by the year 2000, and to 160 percent by 2020, it will be tantamount to expanding the cultivated land area by 120 million and 190 million mu, respectively. In this way we can produce a turn for the better in our efforts to improve the cropland mix, raise the total area sown in agricultural crops to 2.3 billion mu, and maintain the area sown in grains at 1.64 billion mu. If we have that much cropland and a corresponding level of material and technical inputs, higher grain yields will be guaranteed.

From the perspective of material inputs, if we are to raise grain yields to a new plateau we must make corresponding inputs of materials and energy and fashion a certain multipurpose production capability. As a rough estimate, for each increase of 50 million tons in grain output, on average we will need an additional 4.5 million tons of chemical fertilizer (in pure nutrients), 64 million mu of irrigated area, 40 million horsepower in agricultural machinery, 14 billion kWh of rural electricity, 9.7 billion yuan of state financial support for agriculture, and considerable increases in other elements such as pesticides and plastic film. If we can ensure the above conditions, then it is feasible that we may attain a grain yield of 310 kg per mu, an increase of 6.1 kg per mu per year, and a gross grain output of 500 million tons by the end of this century or the beginning of the next.

From 1949 to 1989 the per-mu grain yield rose from 68.6 kg to 243 kg per year, an average annual increase of 4.4

kg per mu. In the 11 years from 1978 to 1989 the per-mu grain yield rose an average of 6.8 kg per year. Seven provinces (and cities)—Jiangsu, Zhejiang, Hunan, Hubei, Jilin, Beijing, and Shanghai—raised their yields from 180 kg per mu to 300 kg per mu, most of them within 10 years. Current per-mu inputs of materials on grain cropland in these seven provinces (and cities) essentially coincide with the above estimates.

In regional perspective the future development of grain production will be tied to intensive farming and improvements in unit yields; this point has already been acknowledged. But opinions are widely divided on the question of whether we should focus on any one aspect, and, if so, what that focus ought to be. Our research indicates that north China and the region along the middle and lower reaches of the Chang Jiang produce over 90 percent of China's cotton and over two-thirds of her grain, oil crops, meat, eggs, fish, fruit, vegetables, and other major agricultural goods, and support over 57 percent of her population. These two major regions have superior production conditions, bountiful agricultural resources, and the greatest potential for increased yields. They are not only at the forefront of growth in grain yields right now, they also are the future focal points for readjusting and improving the production mix in cultivation, aquatic breeding, and forestry, and for sustained development. Consequently, state investment should be concentrated in these areas, and we should adopt policies to promote strong, stable growth, prudent inputs, and increases in multiple cropping and unit yields in these areas, to ensure that they become China's primary grain, cotton, and oil-crop bases. We must not scatter our valued resources and we certainly must not invest limited resources in nonvital projects that are difficult to develop and produce low returns.

From the perspective of the amount of time necessary for each 100 million-ton increment in grain output, this proposal is also achievable. In the past 40 years grain production nationwide increased at the rate of 3.25 percent per year. If we consider each 100 million-ton increment in grain output to be one stage, then grain production rose from 113 million tons in 1949 to 214 million tons in 17 years, and then from there to 305 million tons in the next 12 years. After 1978 this phasic pattern was essentially in accord with the periodicity that appeared in potential output.

Of course, we must still view the situation soberly. Although in 1989 we reached the same record high for grain output set in 1984, this in no way implies that there has been any real breakthrough in grain production, nor does it illustrate any noticeable improvement in overall multipurpose production capacity, either in agriculture as a whole or in grain cultivation. The reasons for this are as follows: First, although grain production increased in 1989, 52 percent of that increase was due to the addition of 28 million mu of land to cultivation. The average per-mu grain yield actually increased little, and any real change remains to be achieved. Second, in the five years from 1984 to 1989 there was a net population increase of

6 to 7 million people, so that the average amount of grain per capita nationwide not only did not rise, it actually declined—from 394 kg in 1984 to 362 kg in 1989. As population pressure rises, growth in the average amount of grain per capita gets smaller and smaller. Moreover, although the 1989 grain harvest surpassed projections by a small margin, it in no way achieved the standards set in the Seventh 5-Year Plan. We can find the means to increase grain output only if we face these facts squarely.

### III. Establishing a Ternary Structure Is One Effective Way To Raise Fodder Grain Output

The grain issue is ultimately an issue of how to achieve a greater output of fodder grain, because by the years 2000 and 2020 China will need 115 to 164 million tons of fodder grain to feed 600 million head of swine and other large livestock. This is approximately equal to the output of 400 million mu of grain. In long-term perspective there are three ways of achieving this supply of concentrated feed. First, we can establish a ternary cultivation system integrating grain, fodder, and cash crops. We can formally designate feed grain as a part of our field cultivation system and raise its status and yield. Second, we can produce a breakthrough in varieties by breeding high-yield crops that can be used as grain or as fodder. We should concentrate especially on seed selection to produce improved varieties from which we can harvest the grain and then use the leaves and stalks as feed. Third, we should use and popularize feed rice, feed corn, hairy vetch, alfalfa, and other high-yield feed crops. We can select among these three methods in each region according to its particular circumstances. First we should experiment with each method and then progressively popularize it. I have the following suggestions: (1) In place of the inefficient use of regular rice for pig fodder, the southern paddy district can switch to raising a comparable quantity of feed rice, feed corn, sweet potatoes, winter broad beans, radishes, carrots, black soybeans, green soybeans, and other high-quality feed crops rich in raw protein, and use local supplies for fodder. (2) In north China a portion of the seed corn can be switched to a dual-purpose corn that can be used for silage or for seed. Where water is plentiful, districts can also switch to raising a certain area of paddy, thus increasing the local ratio of fine grains. (3) Legume crops can be interplanted in some fields growing feed corn and sorghum and harvested by stages to expand sources of protein fodder. (4) Approximately 20 million mu of low-yield arid land can be switched, as appropriate, to the cultivation of fodder sorghum, sweet potatoes, and so forth. Where conditions are favorable, local areas can also increase cultivation of summer corn, sweet potatoes, and sorghum after the wheat season in order to expand winter feed resources. (5) We should restore and expand the cultivation of green manure and use a portion of it for feed, and then return the animal manure to the fields. After gaining experience through experimentation, we can proceed systematically in making thorough improvements and adjustments in the crop mix. The choices can be made according to the following plans.

**Plan A:** Change cultivation practices on a portion of the land, while keeping most conditions essentially unchanged (the adjusted portion would amount to approximately 20 percent of the area planted in feed crops, while 80 percent of the area would be unaffected). After adjustment, the average per-mu yield would be 280-370 kg and the gross yield of feed grain would measure 137 million to 168 million tons, including 22.94 million to 28.05 million tons more feed grain and 18.58 million to 22.70 million tons more chaff and bran than previously. After this adjustment we would be able to raise an additional 6.38 million to 8.40 million tons of meat, 650,000 to 790,000 tons of milk, and 1.20 million to 1.47 million tons of eggs. The amount of meat products per capita would rise from 25-29 kg to 30-34.6 kg, for an increase of 5-5.6 kg over previous supplies.

**Plan B:** Most current conditions would continue but the amount of area adjusted would be slightly larger than in Plan A (amounting to one-fourth of the fodder grain area). After adjustment the average per-mu yield would be 280 to 370 kg and the gross yield of feed grain would measure 143 million to 173 million tons, including 28.29 million to 31.77 million more feed grain and 22.85 million to 25.70 million tons more chaff and bran than previously. After this adjustment we would be able to raise an additional 7.91 million to 9.56 million tons of meat, 770,000 to 860,000 tons of milk, and 1.43 million to 1.60 million tons of eggs. The amount of meat products per capita would rise from 25-29 kg to 31.2-35.4 kg, for an increase of 6.2-6.4 kg over previous supplies.

**Plan C:** A relatively major adjustment would be made in existing conditions (amounting to one-third of the fodder grain area). After adjustment the average per-mu yield would be 280 to 370 kg and the gross yield of feed grain would measure 158 million to 186 million tons, including 37.87 million to 46.36 million more feed grain and 34.10 million to 37.55 million tons more chaff and bran than previously. After this adjustment we would be able to raise an additional 10.52 million to 14.01 million tons of meat, 970,000 to 1.18 million tons of milk, and 1.79 million to 2.19 million tons of eggs. The amount of meat products per capita would rise from 25-29 kg to 33.2-38.3 kg, for an increase of 8.2-9.3 kg over previous supplies.

Implementation of the above plans will be determined to a large extent by the following factors: first, the degree of peasant acceptance; second, the extent of selection, introduction, and popularization of high-yield fodder crops; third, the ability to support farmland resources; and fourth, state support and preferential policies (such as state economic policies that combine fodder grains into mixed feed). If we can garner widespread support and persist in adjusting and improving the crop mix as outlined above, the composition of farm cultivation in China will be progressively transformed from the traditional binary pattern of grain and cash crops to an integrated ternary pattern of grain, fodder, and cash crops. This will be a wise strategic choice.

#### IV. The Relationship Between Grain Output and Land Carrying Capacity

Land carrying capacity refers to the quantity of people that can be supported on a continuous, stable basis, by the agricultural and sideline products produced on a given unit of land.

In the past 40 years China's population density (that is, the number of people per square kilometer) has risen at the rate of 1.8 percent per year, while the amount of grain per capita has grown at the rate of only 1.5 percent per year. Because of differences in natural resource potential, technological levels, production conditions, and the social and economic base, different types of regions have also had dissimilar carrying capacities. The following characteristics primarily pertain: (1) As per-mu grain yield and per-capita grain holdings vary, differences between regional carrying capacities becomes very evident. For example, the population that can be supported is greatest—176 people per 100 mu of grain fields—along the middle and lower reaches of the Chang Jiang, intermediate in south China and southwest China, at 138 and 131 people, respectively, and lowest in northwest China, which supports only 37 people per 100 mu of grain. (2) The carrying capacity is chiefly affected and limited by unit grain yields, per-capita grain holdings, and the multiple crop index. (3) Consequently, regional differences in population carrying capacity can in the long term only grow larger, and will be difficult to reduce.

We regard grain production as a major system within the cultivation production system because grain output is the major determining factor in carrying capacity. Therefore, if we establish the carrying capacity per 100 mu of grainfields as the dependent variable, the independent variables are as follows:  $X_1$ —population density;  $X_2$ —the area of grain land sown per capita;  $X_3$ —the amount of grain cropland farmed per peasant;  $X_4$ —the amount of grain per capita;  $X_5$ —per capita income;  $X_6$ —arable grain cropland area nationwide; and  $X_7$ —per mu grain yields. Supposing that there is a linear relationship between the independent and dependent variables, we entered into a computer all 320 figures for the above categories of data spanning the years 1949 to 1987 and employed multivariate regression and stepwise regression to establish a composite regression model of China's grainfield output and carrying capacity.

If we look at the curve of variation in the quantity of population supported by grain cropland over the years (omitted), we can discern three major developmental stages based on the degree of fluctuation: (1) a stage of stable increase in carrying capacity (1949-1959), (2) a stage of slight decline in carrying capacity (1960-1964), and a stage of sustained growth in carrying capacity (1965-1987). If we look at the long-term trends of change, we see that the two periods of slight decline in carrying capacity in the early 1960's and at the end of the 1970's were the result of declining grain crop area and unit yields, and rising population.



By analyzing this model we can generally conclude that in order to boost the land's carrying capacity we must hereafter focus on two efforts: on the one hand we must strive to stabilize the per capita grain cultivation area and expand benefits of scale; on the other hand we must continue to raise yields of grain per unit of area, conscientiously implement various rural economic policies, increase inputs, and alleviate the tremendous pressure that excessive population growth places on the land.

Based on the above principles, in order to support our transition by the end of this century from a nation able to supply the basic necessities of life to one in which our citizens are truly well-off, the carrying capacity of our land must reflect the following figures: per-capita grain holdings of 375-385 jin, per capita income of 850-900 yuan, an average of 1.92 mu of cultivated grainfields per peasant, and the ability to support 98-110 people per 100 mu of grainfields. By the end of the next century the carrying capacity necessary to support a comfortable standard of living must reflect the following figures: per-capita grain holdings of 385-410 jin, per capita income of over 2,400 yuan, an average of 1.52 mu of cultivated grainfields per peasant, and the ability to support 110-120 people per 100 mu of grainfields.

The results of our use of the above mathematical model to analyze long-term changes in nationwide carrying capacity are as follows: We should be able to support an average of 109 people per 100 mu of grainfields by the year 1995, 110 by the year 2000, and 125 by 2020. The corresponding per capita grain holdings at those dates should be 385 kg, 388 kg, and 410 kg, respectively. Obviously, calculated based on the 1986 general survey figure of 2.04 billion mu of arable land nationwide, by the year 2020 the general pattern of carrying capacity in China will be transformed from the current level of more than 1 mu of land to support 1 person to an approximate 1:1 correspondence. From a long-term perspective the critical line of population for China's carrying capacity is 1.6 to 1.8 billion people. There is only one solution in our future: we must control population growth and prohibit indiscriminate use of arable land. At the same time, we must implement effective policies to raise the quality of our population and improve land productivity, seizing a favorable opportunity to alleviate this critical trend.

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#### Problem of Sugar Production Costs, Prices Explored

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[Article by Sang Jianxiong (3769 1696 7160) and Luan Jun (2940 6511): "Cursory Analysis of Sugar Cost and Price Problems"]

[Text] Sugar is an important daily necessity and an important industrial raw material. Although annual sugar sales in China run to only slightly more than 10 billion yuan, equal to only about one percent of total annual retail commodity sales, the sugar supply situation and sugar price problems have a great impact on people's daily life. Currently China's sugar supply does not meet demand; conflicts in production and circulation are fairly conspicuous; sugar consumption is still rationed, and prices of sugar and related manufactures also show a rising trend. This article analyzes several sugar price problems.

#### 1. Analysis of Changes in Sugar Refining Costs

Sugar refining costs are made up of three parts: The purchase price of raw materials (mainly sugarcane or sugarbeets), raw materials growing, harvesting, storage, transportation and processing costs.

During the past two years, sugarbeet refining costs have risen enormously. During the 1987-1988 sugar refining season, sugarbeet sugar refining costs were 1,406 yuan per ton. In 1988-1989, they increased to 1,860 yuan per ton, a 32 percent increase. In 1989-1990, they increased to 2,110 yuan per ton, a 13 percent increase over the previous season. Costs are now higher than the state set price for beet sugar of 1,850 yuan per ton. In each sugar refining season, costs increased by approximately 350 yuan per ton.

The main reason for the increase in sugar refining costs is the year-after-year increase in sugarbeet procurement prices. Market grain prices have also risen steadily in recent years, but an overall averaging of the fixed, negotiated and market price of grain shows that total returns per mu from grain far exceed those from sugarbeets. So the peasants feel that they would be better off growing grain or another cash crop instead of sugarbeets. They do not want to grow sugarbeets, and they use the land for growing grain, flue-cured tobacco or some other cash crop. The result is a shortage of sugarbeet supplies that hurts sugar production.

To encourage peasants to grow sugar crops and promote the development of sugar production, the state has continuously raised sugar crop procurement prices in recent years. The sugarbeet procurement price was 90 yuan per ton in 1987, raised to 120 yuan per ton in 1988 and 155 yuan in 1990. The rise in sugarbeet procurement prices is directly reflected in a change in sugar refining costs. For example, comparing the 1988-1989 sugar refining season with the previous season in Heilongjiang Province, per unit sugar refining costs increased 28.5 percentage points, 18.2 percentage points or 64 percent of which, was attributable to the rise in sugarbeet procurement prices. The situation in other sugarbeet growing provinces is similar to this.

The two other parts of increased sugar refining costs, sugarbeet growing, harvesting, storage, transportation and processing costs, have also risen. The main reason is likewise attributable to peasant lack of interest in growing sugarbeets. The supply of sugar crops does not meet demand. To buy sufficient sugarbeets from the peasants, sugar refineries provide them greater extra price subsidies, and they set up more sugarbeet farming technical guidance and procurement stations to accommodate the peasants. Some refineries have no choice but search far and wide for sugarbeets, which increases expenses. They open up new sugarbeet raw materials bases in places 100 kilometers or more away. Some refineries are forced to pay an added price, they compete with each other to jack up prices and resort to panic buying of sugarbeets. At the same time, because insufficient sugarbeets are procured, most sugar refineries cannot operate at full capacity. This means a further increase in fixed costs per ton of sugar. Furthermore, newly imposed taxes and constant upward readjustment of bank interest rates, etc. also increase sugar refining costs.

Development trends show that unless vigorous new actions are taken, the foregoing factors increasing sugar refining costs will continue to exist. Parties concerned forecast that sugarbeet sugar refining costs for the 1990-1991 season will reach 2,350 per ton, up 28 percent from the last previous refining season. The changing situation in sugarcane refining is very much the same as for sugarbeets with minor differences. During the 1988-1989 sugar refining season, sugarcane refining costs were 1,580 per ton increasing to 1,830 yuan per ton during the 1989-1990 season, a 15.8 percent rate of increase. Forecasts call for an increase to 1,998 yuan per ton, or an increase of 9.2 percent, during the 1990-1991 sugar refining season. In short, sugar costs will continue to increase greatly during the next two years.

What actions can be taken to stabilize sugar refining costs? The foregoing analysis shows that the difficulties in stabilizing sugar refining costs lies both in stabilizing sugar crop procurement prices, and making the peasants want to grow sugar crops to satisfy sugar production needs. On the surface, this appears to pose a dilemma, namely that the peasants are unwilling to grow sugar crops since profits are not as good as from the growing of

other cash crops, so unless the price of sugar crops is increased, how can peasant interest in growing sugar crops be stimulated? Actually, this is not so. Simply put, returns per mu equal the procurement price times yield per mu. If the yield per mu can be substantially increased through some means other than raising prices, peasants returns will likewise rise, and the difficulty in stabilizing sugar refining costs will be readily solved. Practice shows that by improving sugar crop farming techniques and providing better field care, the goal of increasing output is entirely attainable. For example, Heilongjiang Province introduced a new sugarbeet growing technique from Japan known as "paper tube seedling growing and transplanting," which has been successfully used in the trial planting of 70,000 mu of land. This technique has increased sugarbeet yields from less than one ton to more than 2.5 tons per mu, a 250 percent increase. Profits from growing of sugarbeets are somewhat higher than the growing of grain. The problem now is the sugar refineries' lack of start-up funds, they are unable to expand. If funds can be gathered from various sources to invest in improved sugarbeet growing techniques, it will be possible to enter a benign cycle that goes from "no change in procurement price, a rise in yields, increase in returns, peasant interest in growing sugarbeets, and basic stability in sugar refining costs."

To stabilize sugar refining costs, besides increasing sugar crop yields per mu, making overall returns from the growing of sugar crops and the growing of grain crops substantially the same, maintaining an equitable price ratio between sugar and grain, and increasing peasant interest in growing sugarbeets, the size and location of newly constructed sugar refineries will also have to be controlled to make use of economies of scale. Sugar refining techniques will have to be improved, the sugar outturn rate increased, and per unit costs reduced.

## II. Factors Affecting Sugar Price Levels and Principles for Formulating Prices

The state sets the price of sugar. The price is centrally controlled and readjusted by the State Council department concerned. In formulating the price level, the following several factors have to be taken into consideration.

(a) Sugar refining costs. Costs are the basis for formulating prices. When costs are stable, a steady foundation exists for sugar prices. When costs go down, sugar prices go down. When sugar refining costs increase year after year to the point where they are higher than the state-set exfactory price for sugar, readjustment of the sugar price becomes imperative.

(b) The supply and demand situation. On the supply side, China's sugar output is approximately 5 million tons per year, and the maxim reached was 5.28 million tons (during the 1986-1987 sugar refining season). Given the trends in the country's sugar refining capacity and estimates of available sugar crops, the country's sugar

output over the next three to five years will fluctuate around this level with no large increase.

On the demand side, China's sugar consumption is increasing year by year. For five years before 1980, nationwide per capita sugar consumption increased six liang each year. For five years after 1980, it increased one jin each year. Sugar consumption nationwide will increase more than 500,000 tons per year. This includes the factors of an annual net population increase of 18 million, and an increase in the number of peasants transferring out of agriculture (city and town residents' sugar consumption is double that of peasants). However, the main factor is still an increase in sugar consumption. In recent years, sugar consumption has remained at approximately 7.3 million tons per year, 13 times 1952 consumption and 1.2 times 1978 consumption.

Since 1984, sugar production capacity has increased 240,000 tons per year, which is only one-third the annual average increase in sugar consumption. Furthermore, due to sugar crop shortages, current sugar production capacity cannot be fully used, much less is it possible to balance supply and demand for sugar. Even though rationing is currently used to control sugar consumption, the gap between sugar supply and consumption demand still remains at between 20 and 30 percent each year. There is no doubt that this plays a role in driving up sugar prices. Furthermore, since the price of sugar is somewhat low, increasingly food plants add low cost sugar to milk powder, extract of malt and milk, beverage crystals, and all sorts of soft drinks, making plenty of profit and causing a precipitous increase in sugar consumption in recent years. To hold down this improper stimulation of sugar consumption, sugar prices should be appropriately increased. In short, so long as a marked gap between supply and demand for sugar exists, the stabilization of sugar prices will be very difficult. When sugar was in short supply during 1989, for example, the price of sugar used in industry exceeded 3,300 yuan per ton, each ton being more than 1,000 yuan higher than the state set price.

(c) Import sugar price. China has to import raw sugar every year. In 1986, it imported 1.12 million tons, in 1987 it imported 1.83 million tons, and in 1988 it imported 3.7 million tons. Reasons for this are, first, a historical one: China has maintained barter trade with Cuba for several decades, importing approximately 700,000 tons of raw sugar from Cuba annually. The second reason is that the supply of China-produced sugar is less than demand. Sugar is an important commodity affecting the national economy and the people's livelihood: it cannot be allowed to be cut off. The gap between sugar supply and demand of recent years has been made up through imports. The delivered price of imported raw sugar is generally high, and its ex-factory cost after processing in China is markedly higher than that of China-produced sugar. When it enters the market, no doubt it spurs a rise in the price of China-produced sugar. In 1988, China imported \$1 billion worth of sugar, which was 3.7 billion yuan at the renminbi rate of

exchange at the time, an amount far higher than the total amount of investment in fixed assets for the food manufacturing industry in that year (more than 10 industries, including sugar refining, grain and edible oil processing, and candy and pastry making). If a substantial portion of the money used to import sugar was saved to use in improving sugar crop farming techniques and sugar production techniques, to increase sugar content and the sugar outturn rate, it would have been possible to increase tremendously sugar crop output from the existing sugar crop growing area, thereby increasing sugar output to satisfy the ordinary needs of society, and lowering sugar refining costs and help stabilize sugar prices. It would have conserved precious foreign exchange and land. Therefore, in a certain sense, the spending of money to import raw sugar means an indirect reduction in investment in the sugar refining industry, obstructing the lowering of sugar refining costs and increasing output of China-produced sugar to balance market supply and demand, and to hold down market sugar prices. It also means means indirectly driving up the price of China-produced sugar.

The foregoing analysis shows that that the price of sugar is closely related to and influenced by many factors. Under a system of uniform state control over sugar prices, the basic principle for formulating sugar prices is whatever helps a rational increase in sugar supply and properly limits sugar consumption. China is both a sugar-short and a grain-short country. Even when the current level of sugar consumption is maintained, the amount of sugar it consumes increases each year due to population increases. This requires a corresponding increase in sugar supplies. At the same time the level of sugar consumption must be suitably controlled because China does not have an abundant amount of land per capita and each year the total amount of cultivated land declines. Furthermore, based on current per capita consumption and grain yields per mu, a net 2 million mu increase in the area sown is required to feed the increase in population each year. For this reason alone, we cannot obligate more land to satisfy sugar production and consumption. The following follows from this principle:

1. The sugar price should not be too low. From the production standpoint, too low a sugar price means most sugar refineries operate at a loss. They are unable to invest in technology, and the backward system that exists in the country of sugar crop farming not being done intensively, low yields per mu, a low sugar content in sugar crops, a poor level of sugar processing, and a low sugar outturn rate cannot be reversed. Take sugarbeets for example, for each ton of sugar produced, an average of 7.5 mu of land is needed. This is more than three times as much as in Japan. From the consumption standpoint, when the sugar price is too low, it is difficult to hold down the overly fast increase in sugar consumption, and it is difficult to conserve land resources. It has been estimated that to fully satisfy the increased sugar demand, an additional 2.25 million mu of land would



have to be devoted to sugar crops each year. This amounts to taking away the grain rations of 5 million people each year.

2. Sugar prices cannot be set too high. When sugar prices are too high, people's daily life is affected and high prices also stimulate unwarranted sugar production. High sugar prices mean one of two possibilities: First, sugar refineries are making high profits. Naturally this helps the development of large sugar refineries, but it may bring some small sugar refineries back to life only to linger on in a steadily worsening condition. This is of no help in supporting superior refineries and curtailing poor ones, to maintain a rational distribution and scale of sugar refineries. Statistics from Heilongjiang Province show that sugar refining costs of small sugar refineries are 17 percent higher than large sugar refineries. Small sugar refineries waste resources, and compete with large sugar refineries for land, raw materials and energy, causing idleness and waste of large sugar refineries' production capacity. From a macroeconomic standpoint, this damages the development of the sugar refining industry, everything possible should be done to decrease this. The second possibility is that peasants gain a high profit, they feel that higher profits are to be had from growing sugar than from growing grain. When this happens, the peasants may invest more land in sugar crop production and give up grain production. From an overall standpoint, this is not desirable.

3. In setting an equitable sugar price level, the following may be considered: (a) If the sugar crop procurement price level is readjusted so that the overall return per mu from growing sugar crops is generally equivalent to the return from growing grain, the sugar price level and the sugar procurement price can be linked to each other, the price of sugar changing as the procurement price of sugar crops changes. (b) Sugar prices should be set based on average industry costs to help improve economies of scale in the sugar industry. (c) The profit margin and taxes that make up the price of sugar should enable sugar refineries to improve their technology.

### III. Several Problems Requiring Clarification

#### A. Whether Sugar Price Control Authority Should Be Delegated

Currently there are two sugar prices in China. One is the civilian sugar price, which includes the civilian use exfactory price, the transfer price, the wholesale price, and the retail price. The other is the industrial use maximum sugar price limit, which includes the refinery direct supply restricted price, and the business transfer supply price. Authority to readjust sugar prices is centralized in the State Council department concerned.

At present and for a long time to come, the state should uniformly set sugar prices because sugar is a daily necessity and a limited consumption commodity. So long as a conspicuous conflict exists between sugar supply and demand, if sugar prices were freed, a constant round of price increases would result. This would be

difficult to control and affect market stability. Second, it might lead to a wild increase in the sugar crop growing area, which would waste precious land resources, etc. Here, it is necessary to stress the use of sugar price controls in improving planned management over sugar production and consumption. Some comrades believe that once sugar prices are deregulated, it will naturally achieve a level that will restrict sugar consumption. However, this level could be much higher than the present one because sugar consumption in China is strongly rigid. Of the 7.3 million tons of sugar consumed each year, 3.3 million tons, or 45 percent, is the basic amount used in people's daily life. Deregulating sugar prices when supply does not meet demand would mean allowing the price of sugar to rise tremendously. At the same time, this may cause sugar refineries to jack up sugar procurement prices, causing more land to be sown to sugar crops, thus abetting competition for land between sugar crops and grain.

#### B. Whether a Small Refinery Sugar Price Should Be Instituted

Some comrades propose a small refinery sugar price in the same way that there is a small fertilizer plant price. The reasoning is that since small sugar refineries' costs are higher, they take a loss when they sell sugar at the state set price, so a refinery's costs should be the basis for figuring the exfactory price.

Such a formulation is unworkable from both a theoretical and a practical standpoint. Marxist price theory maintains that the basis for a product's price is the average social cost of producing that product, not individual costs. Obviously, a small sugar refinery price violates this principle. Because sugar supply does not meet demand, small sugar refineries will be able to sell their sugar at a somewhat higher price. However, this may upset the market price of sugar, and waste capital, energy, and land resources. It is not beneficial for a rational distribution of sugar refineries and optimized allocation of resources.

#### C. Whether Sugar Refineries Should Charge Two Tier Commercial Wholesale Prices

In February 1989, the state formulated a maximum factory-delivered price for sugar used by industry. Some sugar refineries in production areas took responsibility for doing a two tier commercial wholesale business in sugar, supplying sugar directly to enterprises. This played a definite positive role in easing refineries' production difficulties and arousing interest in production. At the same time, it reduced the number of circulation links and lowered the factory-delivered cost to the sugar using enterprise. However, for sugar consuming areas, this method was not desirable. Because in modern socioeconomic life, the role of middlemen has an objective necessity that cannot be replaced. They play a "reservoir" role in stabilizing production, markets, and prices, and they perform this regulatory role at a minimum cost. If methods used in producing areas were mechanically

copied in consuming areas to provide direct supply, not only would costs increase, but considerable upset might ensue.

#### D. Whether a Time Differential Price Might Be Instituted

Looked at from the angle of price management and price level control, adoption of a time differential price has advantages and disadvantages. Sugar production is seasonal, beginning in early fall and concluding in early spring of the following year, but sugar consumption is year round. The lack of symmetry in sugar production and consumption times usually ties up sugar refineries' capital in finished products, affecting the refinery's ability to prepare for production in the following season. Consideration might be given to the use of a time differential price to solve this problem, i.e., raising the ex-factory price of sugar a little each month following the sugar refining season, reinstituting the lowest price when the new sugar is produced in the following sugar refining season, the price level for the whole year being retained without change. However, there are considerable difficulties with this method in actual operation that are not easily controlled, and side effects may easily occur that impair stability of the sugar price level. Whether it is workable awaits further discussion.

#### New Policies Improve Animal Husbandry Development

HK0910023290 Beijing CHINA DAILY in English  
9 Oct 90 p 3

[By staff reporter Wang Dongtai]

[Text] New policies to upgrade animal husbandry have improved the life of millions of herdsmen living in China's north and west, CHINA DAILY was told yesterday.

According to a recent survey in these areas, the average income of the herdsmen has increased 50 to 100 percent over the past few years.

"The most successful herdsmen have seen their income jump threefold in less than three years," said Li Shoude, an official from the Ministry of Agriculture.

The investigation was carried out in July and August in Xinjiang, Qinghai, Gansu, Sichuan, Inner Mongolia, Jilin and Heilongjiang provinces and autonomous regions by several ministries and banks.

In four of Qinghai's 30 counties where animal husbandry is the major industry, average per capita annual income exceeded 1,000 yuan (\$212) last year.

In another six Qinghai counties, average per capita income ranged from 700 (\$148.6) to 1,000 yuan (\$212). In another seven counties, the average was between 500 (\$106) and 700 yuan.

The minimum per capita annual income for the five poorest counties in the province averaged between 300 (\$64) to 400 yuan (\$84).

Statistics collated in Inner Mongolia last year showed that for every 100 families, there were 55 televisions, 40 motor-cycles and 68 tape recorders. Housing space for each family averaged 65.3 square metres, or 12.6 square metres for each person.

Li attributed the higher living standards to the fast development of animal husbandry in these areas.

He said that this year production of livestock continued to increase, and China's animal husbandry regions were having their best year since 1949.

Gross production value in the country's 120 counties with animal husbandry as the main industry and 146 semi-animal husbandry counties reached 4.1 billion yuan (\$861 million) in 1989, an increase of 8.5 percent over 1985.

However, the investigation also found some problems, one of them being the difficulty herdsmen have had since last year in selling wool.

The investigation found that herdsmen were left with about 15,000 tons of wool last year and local purchasing departments had no money to purchase it.

This year's output of wool will be about 150,000 tons and by the end of June, only 10,000 tons of wool were purchased. The purchasing price also fell.

The investigation team will suggest that the central government allocate funds for the purchase of wool, and that the country's textile mills use more domestic wool.

#### Heilongjiang Tobacco Output, Exports

40060002f Beijing JINGJI CANKAO in Chinese  
4 Sep 90 p 2

[Summary] In 1990 gross output of flue-cured tobacco in Heilongjiang Province is estimated at 3.5 million to 3.8 million dan, and the per unit area yield is over 130 kilograms. Heilongjiang has signed export contracts for 2.7 million dan and 500,000 dan will be used within the province.

#### World Bank To Aid Liaoning Forestry Project

OW0610093890 Beijing XINHUA in English  
0904 GMT 6 Oct 90

[Text] Shenyang, October 6 (XINHUA)—Northeast China's Liaoning Province will use a World Bank loan to help finance a plan to plant 70,000 hectares of fast-growing forests in the next seven years.

It is estimated that the project will cost 170 million yuan, including the 21.82 million U.S. dollar loan from the World Bank.

The project will cover 15 counties and prefectures in Dalian, Dandong, Bengxi, Fushun, Tieling and Liaoyang Cities.

Forest coverage in the eastern part of the province is expected to increase from the present 28.7 percent to 30 percent within 20 years.

Timber reserves will increase from 120 million cubic meters this year to 130 million cubic meters by 2010.

#### **Liaoning's Annual Cotton Purchases**

SK1010102890 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 8 Oct 90

[Summary] As of 30 September, Liaoning Province had purchased 10,560 dan of cotton, an increase of 3,086 dan over the same period of last year. It is expected that this year's annual cotton purchasing volume will increase by nearly 100 percent over last year.

#### **Shanxi's Cotton Market, Textile Industry Down**

90CE0514A Taiyuan SHANXI RIBAO in Chinese 19 Aug 90 p 2

[Article in "Department and Bureau News" column by Xu Wenzhong (069 2429 1813) and Liang Yunfeng (733 0061 1496) of Shanxi's Provincial Textile Department: "No Room For Optimism in the Cotton Market; Textile Industry Must Take Active Steps To Cope"]

[Text] Shanxi had a supply of 1,245,7000 dan of raw cotton this year. Compared to the 2 million dan planned, we were 40 percent short, and production was only at 60 percent of capacity. In other words, the planned supply of cotton only lasted six or seven months. By 10 August, 170,900 spindles in textile mills throughout the province were idled, accounting for 28 percent of the productive capacity. The shortage of raw material has forced two textile mills to shut down altogether.

It will be more than two months before the new crop of cotton reaches the market. According to forecast, this year's supply will not be much more than last year's, and the new price will take effect, raising each dan of cotton by more than 70 yuan. For the textile enterprises which are already plagued by a shortage of funds, there is no room for optimism in the cotton market in the next six months.

Faced with the serious shortage of raw cotton, and considering Shanxi's real conditions, we should first try to correct the textile industry's overdependence on spinning cotton and pure cotton products and encourage the mills to switch to noncotton fiber. Today, the emphasis should shift to polyester staple fiber, viscose fiber, flax, and polyester filament. Any ordinary cotton mill can make use of Datong's cotton-like viscose staple fiber to make synthetic cotton cloth or flax from Xiyang and Jincheng to make linen cloth. Cotton mills that produce white cloth sold in the market can try mixing in a small amount of flax or substituting flax for cotton. The

well-equipped knitting mills, priority silk fabric mills, and yarn-dyed fabric mills should make every effort to use more polyester staple fiber to produce imitation woolen and pure silk goods. Cotton mills equipped with A502 series and A513 series fine-spinning frames should take advantage of the ample supply and falling price of polyester staple fiber to produce more polyester-cotton goods and polyester-viscose products to make up for the lack of raw cotton. From now on, this should be a main part of the strategy as Shanxi's textile industry tries to change the raw material composition.

Furthermore, raising the cotton count by one count can reduce cotton consumption by 6.5 percent. Therefore, in view of today's scarce supply of raw cotton, it is crucial that the industry develops more intensely and finely processed goods. Production-wise, it should focus on developing more attractive, stylish, hot-selling products to maximize the benefit of the limited resource.

#### **Remedies To Decrease Sichuan Grain Subsidies**

90CE0468A Chengdu CAIJING KEXUE [FINANCE AND ECONOMICS] in Chinese No 4, 30 Jul 90 pp 38-40

[Article by Liao Dongbing (1675 0392 0393), Zheng Xingling (6774 1840 7227), Wang Yingsong (3796 2503 2646), Huang You (7806 0645), and Zhuo Hong (0587 3167), Sichuan Provincial Finance Bureau, Agricultural Finance Department: "Government Financial Remedies for Sichuan's Grain Problems"]

[Text] Solution to Sichuan's grain problems under current circumstances of no major changes in the financial contracting system and incomplete freeing of grain prices, means stirring interest of local governments, particularly governments in grain producing areas, to develop grain production. We believe lessons may be drawn from the following policy orientation:

1. Reduce the scale of grain supplied at fixed prices, lower fixed price grain supply standards, and use the tremendous reduction in financial subsidies thus realized as a special fund to develop grain production in large grain-producing counties and counties that export commodity grain.

The scale of grain supplies at fixed prices in Sichuan Province today is extraordinarily wide. In addition to grain rations of urban residents, it includes grain for food industries, non-staple food industries, the brewing industry, grain for urban livestock feed, grain used for assistance and subsidies, and grain that rural villages buy back from the state. In fact, grain supplied at fixed prices has become a widely enjoyed social welfare system. This not only leads to steady increase in the amount of demand for fixed price grain and increases the government's financial subsidy burden, but also artificially holds down food and brewing industry enterprises' costs. Thus, financial subsidies become enterprise profits. Clearly, this makes it difficult for enterprises to compete



in an equal environment. Therefore, curtailing or eliminating the use of fixed price grain in production and processing industries including food, non-staple food, and brewing is not only an objective requirement to reduce government subsidies and untie finance, but it is also a component in improving the economic environment and restructuring the economic order. Below is the amount of fixed price grain used by all industries in Sichuan from 1985 to 1988, and the increased government subsidies stemming from this.

In addition to reducing the scale of grain supplied at fixed prices, of equal practical significance is lowering fixed price grain sale standards. Since the beginning of reform and opening to the outside world, as the people's material standard of living has risen, the diet of urban and rural residents has increasingly tended toward highly nutritious foods such as meat, dairy products, eggs, and vegetables. Actual per capita grain purchases by urban

families in Sichuan have decreased year by year. Statistics show that during the 16 year period from 1970 to 1986, per capita grain purchases of urban households in Sichuan were only 131 kilograms, but the per capita amount supplied remained at 180 kilograms, greatly higher than the level of residents' actual purchases. Even in 1988 when urban residents bought up and hoarded large amounts of grain, their purchases totaled only 145 kilograms per capita, just a little more than 35 kilograms over the standard ration. This shows the potential to reduce the amount of grain supplies at fixed prices to urban residents. Even if no reduction in the grain rations used by residents and children, college and secondary school students, and the armed forces is considered, simply reducing the ration of workers doing physical labor by 10 percent and the ration of workers doing mental labor by 5 percent, fixed price grain sales could be greatly reduced, and thus government subsidy payments as well. Calculations for the period 1985 through 1988 are shown in the following tables:

**Table 1. Industrial Grain Use and Government Subsidies in Sichuan 1985-1988**

Year	Units: 100 Million Jin; 100 Million Yuan				Government Subsidy
	Food Industry	Non-Staple Food, Brewing Industries	City Livestock Feed	Total Industrial Grain Use	
1985	5.34	4.73	1.22	11.29	2.635
1986	4.99	5.06	1.41	11.46	2.693
1987	5.58	5.52	1.29	12.39	2.911
1988	4.28	4.95	1.03	10.36	2.434

**Table 2A. Calculation of Reducing Fixed Price Grain Ration To Physical Laborers in Sichuan 1985-1988**

Year	Physical Laborers (Million)	Per Capita Grain Ration (Jin)	Per Capita Ration Reduced (%)	Total Reduction (100 Million Jin)
1985	558	35.26	10	0.179
1986	566	35.20	10	0.200
1987	573.4	34.88	10	0.200
1988	590	34.95	10	0.206

**Table 2B. Calculation of Reducing Fixed Price Grain Ration To Staff Members and Workers, and Mental Laborers in Sichuan 1985-1988**

Year	Physical Laborers (Million)	Per Capita Ration (Jin)	Per Capita Ration Reduced (%)	Total Reduction (Million Jin)
1985	264	27.69	5	0.036
1986	237	27.84	5	0.038
1987	297.7	27.54	5	0.041
1988	300	27.70	5	0.041

The above calculations tell us that even a low reduction in the fixed grain ration of physical laborers, staff members and workers and mental laborers, who make up slightly more than half of the total population receiving fixed price grain, could reduce grain sales at fixed prices by more than 20 million jin annually in Sichuan. In other words, if about half the population in Sichuan receiving a fixed grain ration were to cut grain consumption by 1.5-3 jin per month, government subsidies could be

reduced by more than 5 million yuan annually. Thus, abolishing fixed price grain supplies to industry and reducing slightly the amount of fixed price grain provided as rations, Sichuan could save between 200 and 300 million yuan in government expenditures. Obviously, if this money was used as a special fund to develop grain production, it would play a tremendous role in tapping the whole province's grain production potential,

improving conditions for grain production, and arousing local government interest in growing grain.

*2. Deregulate Prices on Grain Shipments Into or Out of the Province, Implement the Principle of Exchange of Equal Value*

The unfairness of current policies regarding the transfer of grain between one area and another is glaringly manifested in the following two regards. First, the price of inter-area grain shipments is far lower than the market price, and even lower than the grain production cost. Consequently, the price neither represents value, nor does it reflect the supply and demand relation, and thus it seriously violates the laws of value. Second, the burden of expenses incurred in the grain shipment process is extremely unfair. Current regulations stipulate that: Shipping expenses, and loading and unloading expenses incurred in shipment between one province and another and between one area and another within the province are to be subsidized by the province. Expenses incurred in the shipment of grain within a prefecture (city or autonomous prefecture), and within counties are to be subsidized by the prefecture (city or autonomous prefecture). All transportation expenses, storage fees, working capital loans, and interest incurred in the grain procurement process and prior to shipment are to be borne by the grain-producing area. This amounts to permitting the area where the grain is shipped to take advantage of the grain shipping area. This runs contrary to the desire for "fair exchange," and for dividing revenues and expenditures between the central and local governments and holding each responsible for balancing its own budget. It also curbs local government interest in developing grain production. We believe a logical remedy to change this inequity in the current shipment of grain between one area and another is to permit a final settlement between the shipping area and the receiving area concerned based on market price. Once the receiving area receives the grain at market price, it can sell it to local residents at fixed prices. The price differential between shipment at market price and sale at fixed price, and all expenses incurred in the grain shipment process should be borne by the area receiving the grain. This places the grain consignor and consignee on an equal footing in the exchange of benefits, and since most grain receiving areas are relatively well developed and richer industrial and commercial areas, this is also operationally realistic. In addition, since the ultimate goal is to free grain prices, the partial decontrol of grain prices shipped between one area and another is a trial that has real significance.

*3. Readjust Government Payments Structure, Increase the Percentage of Payments to Support Agriculture, and Tilt Financial Support for Agriculture Toward Grain Production*

Sichuan's payments for support of agriculture as a percentage of total government expenditures amounted to 23.93 percent for the entire Fifth 5-Year Plan Period, reaching 23.22 percent in 1979. However, the percentage declined continuously during the Sixth 5-Year Plan,

reaching 14.38 percent for the entire Sixth 5-Year Plan period, continuously declining to 10.17 percent in 1988. Thus, readjusting the composition of expenditures must begin now, reducing payments for administration and capital construction, and quickly reviving and increasing payments in support of agriculture as a percentage of total government expenditures till they reach at least 16 percent. This would insure the funds needed to develop grain production. In addition, to improve government's macroeconomic regulation and control capabilities, an additional two percentage points could be added to the 10 percent tax levy for the budget regulation fund that is now collected on extra-budgetary income. The entire additional amount being turned over to the province to establish a provincial level grain regulation fund. These funds could be placed under provincial agricultural development fund control and dedicated to use in developing grain production in grain exporting areas.

Planning agricultural support funds within the budget should be based on increasing the total percentage of expenditures for this purpose, and should proceed from inducing local government interest to increase their investment in grain production, a genuine tilt in the following is extremely necessary:

First is a structural tilt, meaning an increase in the amount of funds used directly for grain production as a percentage of payments for capital construction and operating expenses in farming, forestry, animal husbandry, sideline occupations, and the fishing industry. This entails gradually increasing the amount and proportion of funds received from government payments of all kinds for direct use in supporting agricultural production conditions and for the spread of fine methods of growing grain, including funds for farmland water conservancy and soil conservation projects, the spread of farming techniques in rural areas, and plant protection assistance.

Second is a regional tilt, meaning completely changing the present egalitarian distribution methods of "scattering" payments earmarked for the support of agriculture. This entails concentrating these funds for investment in counties that produce large amounts of grain, or in areas that have a great potential for grain production to help them improve conditions for producing grain, to improve intensivity of production, to expand the scale of production, and to increase reserve strength for development. During the next several years, emphasis should be given to supporting grain bases in basin and hilly areas. In Sichuan, 84 counties are in hilly areas, and their grain output accounts for approximately 65 percent of Sichuan's total. Eighty percent of these counties compete in shipping grain. Light and heat conditions in these regions are outstanding, purple soil is plentiful; the ratio of low yield fields on slopes is high, and grain production potential is great. Therefore, concentrating funds on these areas to build a number of new commodity grain base counties is necessary. Rough calculations show that

only by improving grain output in these counties will it be possible to provide an additional 4 billion jin of commodity grain annually.

Third is a tilt toward grain production in the use of government revolving funds for support of agriculture, which mostly entails credit. One aspect of this is the need to increase the amount of revolving funds invested in grain production, another aspect is the need to lengthen repayment periods, and to hold down or eliminate fees charged for the use of funds. Since the grain production cycle is generally long, results slow in coming, and relative returns low, revolving funds for the support of agriculture that are used to nurture grain production should differ from funds used for other kinds of agriculture, and they should more fully express the government's conduct. Methods should be adopted that encourage and advance the investment of revolving funds for support of agriculture in grain production.

Fourth is a tilt that promotes investment in grain production in hilly counties and financially needy counties. Since establishment of this fund at the provincial level in 1986, nearly 200 million yuan has been invested. This money has played an active role in assisting counties to establish key enterprises and ease their financial hardships. If we simply proceed from the urgent need to increase investment in grain production for economic development in Sichuan, we believe this money should be invested in grain producing counties and in counties that ship large quantities of grain to help them build their financial sources and recompense loss of benefits, and thereby maintain their interest in developing grain production.

#### *4. Readjust Agricultural Tax Policy, Rectify the Agricultural Tax Systems Adverse Regulation of Grain Production*

Practice has demonstrated that inequities in the prevailing agricultural tax system are also a major factor holding back grain production. This shows up conspicuously in the following: On the one hand, the tax rates for grain crops and cash crops are skewed. Data show that in the several decades since 1958, net returns from the growing of cash crops in Sichuan have been 52.2 percent higher than the growing of grain crops, yet the tax burden has been six percent less than on grain crops. On the other hand, there is no effective way of adjusting for returns from different grades of land, levying a different tax on those who grow grain on different quality soils. When the existing agricultural tax system set the agricultural tax on the basis of soil grade, although soil fertility was taken into account, no attention was paid to distance from markets, and to different efficiency from continued investment in the same piece of land. Because of the effect of Category II differential land return, although

the level of profit from the growing of grain in different areas of Sichuan varies, the grain tax everywhere shows no pattern of difference. Units concerned calculate that profit from grain farming on the Chengdu Plain is two or three times higher than the central hill region and the eastern mountain regions of the province, yet the tax is only about 30 percent higher. Obviously this is extremely unfair. We believe that a change in this situation should be considered from two angles. First is the levying of an agricultural products tax. The agricultural products on which such a tax should be imposed includes sales income from all agricultural products (grain crops, cash crops, and other agricultural products). "the greater the sales income, the greater the tax, the smaller the sale income, the smaller the tax." Such a method would even out the tax levied on various agricultural products and on grain production from different quality land. Second, a land use tax should be levied to regulate income from different grades of land. Those paying the land use tax would be divided into three categories: First, is those in agriculture who use land to grow grain, second is those in agriculture who use land for other than grain production, and third is those who use land for non-agricultural purposes. Graded tax rates would be used. In addition, differential tax rates would be adopted for land used for agriculture on the basis of its distance from cities, and soil fertility. Those who abandon farming and allow cultivated land to lie fallow would have to pay a multiple land use tax. Once a land use tax was levied, all receipts would be retained by local governments, principally at the county and township levels, for use in the maintenance and reclamation of land, and for continuous investment in grain production.

#### **Zhejiang's Forest Coverage Ranks First in Country**

OW1210180190 Beijing XINHUA in English  
1247 GMT 12 Oct 90

[Text] Beijing, October 12 (XINHUA)—A recent survey of forestry resources shows that the forest coverage rate in east China's Zhejiang Province ranks first in the country, the PEOPLE'S DAILY reported today.

According to the survey, conducted by the Ministry of Forestry, the forest coverage rate in the province totalled 45.8 percent last year, up 9.4 percent over 1979, when China began the reform movement.

The national paper said Zhejiang is self-sufficient in timber and has a surplus of 1.77 million cu m of timber reserves a year.

A local official attributed the good result to efficient implementation of the contract responsibility system, the administration's efforts to help farmers solve practical problems and increased efficiency in forestry work.



### Characteristics, Attitudes of Illiterates

WU MUYU. *Beijing JIAOYU YANJIU*  
[EDUCATIONAL RESEARCH] in Chinese No 126.  
Jul 90 pp 37-39

[Article by Chiu Chaohui (0328 2600 2547): "Characteristics of Illiteracy Today and Methods for Eradication"]

[Excerpt] [passage omitted] First of all, as far as distribution is concerned, the national illiteracy rate in China is 20.6 percent. In large cities such as Beijing and Shanghai the illiteracy rate is only 4 percent, whereas in old revolutionary base areas, minority nationality regions, border lands and poverty-stricken areas the illiteracy rate in some villages reaches 70 percent or more. Of the 230 million illiterate people in China today, 70 percent are female and 92 percent live in rural areas. The illiteracy rate decreases somewhat in regions with higher population mobility or economic development and increases somewhat where there is substantial poverty or little population mobility. Of course, those few regions scrambling unchecked after money are exceptions. Agricultural laborers account for a third of the illiterate population—the largest representation for any profession. Obviously the effort to eradicate illiteracy today must focus on three categories of people: peasants, women, and rural residents.

Second, if we look at contributing factors, we can see that the products of illiteracy come from two fundamental sources: the inability to read and disuse of the writing system. People cannot read if they have never been taught how to, so naturally they are illiterate. But there are also some people who once learned to read, but have become illiterate because of long disuse. [passage omitted]

Just as there is an optimum time for children to learn to speak, there is an optimum time for people to learn to read. Once this opportunity is lost, it may be very difficult to learn to read. If never being exposed to reading lessons during this time can be called a lost opportunity, then 85 percent of the illiterate population are the products of lost opportunity. Most of these individuals are women who lost the opportunity to learn to read because of the disproportionate emphasis placed on males. In second place are people who lost the opportunity to learn to read because of household poverty and labor shortages or because of local poverty, a poorly developed educational system, or a shortage of schools. Yet another category—a relatively small percentage—consists of people who intentionally squandered the opportunity because they felt that "reading is useless." In addition to these people who lost the opportunity to learn to read, another 10 percent remain illiterate because they are ignorant and stubborn. Some believe that literacy is unattainable and out of keeping with generations of family custom, so they constantly avoid school, others detest schooling, linking it with the exploitative class of the old society and believing that literacy is a "vice"; still others, linking literacy to the idea spawned during the Cultural Revolution that "the

more education one has, the more reactionary one will be," feel that, unschooled, they can pass their days peacefully, whereas learning to read might "court disaster." Approximately five percent of the illiterate population never learned to read because of low intelligence, but, except for these cases, an all-out social effort could eradicate the remaining 95 percent of all illiteracy. The key step is to guarantee that everyone over the age of seven has the opportunity to learn to read. In this effort we must also eliminate the disproportionate emphasis on males, build more and better rural schools, and get rid of ignorance and stubbornness.

Let us take another look at intelligence. Illiteracy is not equivalent to mental deficiency. In the Chinese countryside there are many illiterate adults who are clever and deft, valiant, industrious, and worldly wise. They are illiterate only because they lost out on the opportunity for schooling, certainly not because they are unintelligent. [passage omitted]

Ultimately, as the number of illiterate people has declined over the years, illiterate members of society have become a relative minority, forming a specific group with its own distinctive characteristics. [passage omitted] Generally speaking, these characteristics, to a slight degree, correlate with various social phenomena. These are manifested as follows: 1) Some people have regrets. They regret that, when young, they could not attend school regularly or lost out on the opportunity entirely, that their parents were uninterested in sending them to school or completely forbade it; that they were poor at the time and could not attend school; or that after they left school they could not study regularly. [passage omitted] 2) Some people are taciturn. Illiterate people, because they cannot read and write, are greatly restricted in their ability to exchange information with the outside world. This may cause them to feel cut off, and they may be unwilling, afraid, or unable to say what is on their minds. [passage omitted] 3) Some people feel inferior. Because they cannot read and write, most illiterate people feel inferior to others. Some even mistakenly believe that this has been decreed by fate, that they are more stupid than other people, and that they cannot learn to read and write. [passage omitted] 4) Some people give up. The longer people remain illiterate the stronger their attitude of resignation grows. It is quite common for people to feel that the majority of their life is past and that it makes no difference whether they learn to read. [passage omitted] 5) Some people are arrogant. In this form of abnormal psychology people try to "prove" through their behavior that illiterate people are just as good as literate people. "Illiterate big shots" and "illiterate shopkeepers" fall into this category. [passage omitted] 6) Some people reject literacy. Because of modern advances in audiovisual technology people can become acquainted with many events through media other than the written word. When illiterate people hear *Moon of October Fifth* they realize, as others do, the sentiment that the song evokes, if they see a television

program, they understand the plot in the normal fashion. This leads many illiterates, in their perception of things, to avoid at all costs any contact with the written word. When they see written symbols it produces in them a feeling of rejection. [passage omitted]

#### **Number of Lawyers Increases Since 1981**

OH 0910080390 Beijing XINHUA in English  
0706 GMT 9 Oct 90

[Text] Beijing, October 9 (XINHUA)—The number of lawyers in China has increased from 5,000 in 1981 to 30,000 today.

Prior to the resumption of the use of lawyers in 1979, defendants were required to represent themselves or to be represented by a relative. Most defendants are now represented by a defense counsel.

Investigations have shown that when lawyers participate in a trial there are fewer mistakes.

However, being a defense lawyer is only a part of the legal profession. Statistics from the All China Lawyers Association reveal that over 2,000 local governments in 3,100 districts and counties have invited lawyers to be chamber barristers.

In addition, 120,000 large-size enterprises have engaged law consultants to help negotiate and write economic contracts.

China is attempting structural reform in its management system of lawyers who are usually paid by the state. Experiments are now being conducted on a system of "co-operative law offices," to be managed by lawyers themselves.

## EAST REGION

**Nanchang Party School Enhances Marxist World View**

90CM03744 Nanchang JIANGXI RIBAO in Chinese  
29 Jul 90 p 2

[Article by Zhang Yanqing (1728 2518 3237): "Party School Helps Instill Marxist World View in Cadres"]

[Text] Proceeding from the current state of the corps of cadres and integrating it closely with the practice of building socialism with Chinese characteristics, the party school under the Nanchang Municipal CPC Committee has been fairly successful in guiding students to solve real-life problems using Marxist stand, viewpoint, and method of analysis and establish a Marxist world outlook.

In accordance with the decision of the Nanchang Municipal CPC Committee, the 143 students admitted to the party school under the committee last spring are on-the-job county-level cadres from organs directly under the municipality, enterprises and institutions under the province, and county and district organs. Of them, 70 percent took up their jobs after 1984. For most of the cadres, their stint at the party school is their first experience in systematic study. They study philosophy most of the time through reading, reviewing experience, and transforming their world outlook, and try to solve problems relating to stand, viewpoint, and method by thinking deeply. What strikes the students most is that, as a result of their studies, they have a clearer sense of where they are going, their faith has become stronger, and they feel inspired. Systematic and profound studies have made the students see clearly the inevitability of historical development and strengthened their faith in the victory of socialism, reform, and the open policy. People have been asking whether Marxism is effective and whether socialism will work. With this particular question in mind, many elderly comrades analyze history and the current reality from the historical materialist and dialectical materialist viewpoints. The birth and development of socialism, they argue, has played a critical role in human progress and world peace. We absolutely must not waver just because of some difficulties and setbacks along the way. In particular, we must see that China is different from some other countries. It has a mature Marxist party. Politically it is independent and holds the initiative in its own hands. It has its own complete economic system. When it comes to national defense, it has its own coordinated defense setup. It can feed its 1.1 billion people. Provided we adhere to CPC leadership, the banner of socialism will fly high over every corner of China forever. Because of their studies, many students have developed a greater initiative to serve the people and believe that they should translate their talk about the proletarian world outlook into action, epitomized by serving the people wholeheartedly. They say, "All of us are the party's and people's 'officials.' Only when we firmly establish the goal of serving

the people can we do a good job practically, correct the party style, turn the social climate around, and earn the people's trust."

**Nanchang Launches Cadre Education Campaign**

90CM03758 Nanchang JIANGXI RIBAO in Chinese  
30 Jul 90 p 1

[Article by Xiong Xingnan (3574 2502 0589): "Nanchang Launches 'Four Learnings, One Enhancement' Educational Activities"]

[Text] By launching a "four learnings, one enhancement" educational campaign among party members and cadres, all units in organizations directly under the municipality of Nanchang have further changed the institutional style, improved their work efficiency, strengthened the ties between party and government organizations and the people, and enhanced the party's prestige.

Since last March, all units in organizations directly under Nanchang Municipality have been conducting a wide-ranging campaign among rank-and-file party members and cadres to educate them in basic Marxist theories, the party's basic line and knowledge, and the deeds of heroes and models, and to further the party's fine tradition. The working committee of organizations directly under the municipality twice ran a philosophy training course and a new party member training course and introduced variety and interest to the activities of the "four learnings, one enhancement" campaign by organizing visits to the exhibition on the deeds of Lei Feng, among other things.

The launching of the "four learnings, one enhancement" educational campaign has fired the enthusiasm of party members and cadres in the organizations to serve the people. As of mid-July, 700 party members and cadres in organizations directly under Nanchang had taken to the street to perform all manner of good deeds for the people. Over 500 party members and cadres from organizations directly under Nanchang have visited factories, villages, schools, and other grassroots units as well as the first front of production in groups at different times to find out the conditions of the people. Adapting measures to local conditions, they have done practical things for the masses and helped the grassroots solve real-life problems. Many organizations have even revived the practice of having cadres take part in voluntary work on Saturday afternoons.

**Fuzhou Prefecture To Strengthen Organization Work**

90CM0375A Nanchang JIANGXI RIBAO in Chinese  
30 Jul 90 p 2

[Article by Liu Nanfang (0491 0589 2455), secretary, Fuzhou Prefectural CPC Committee: "Strengthening Organizational Work in Villages Is Urgent and Vital Task"]



[Text] On the surface, strengthening organizational work in villages is a response to the situation in some village organizations characterized by organizational laxity and a weak collective economy. "There is nobody to get things done, people are not good at getting things done, or there is no money to get things done." At a deeper level, however, its significance is even more profound.

First, it is needed to implement the party line, policies, and principles and achieve political, economic, and social stability. As the most basic organizations in the countryside, village organizations are the direct enforcer of party line, policies, and principles as well as the laws and regulations of the state in rural areas. Facts tell us that the party line, principles, and policies are correct. But if they are not implemented or are implemented only at the top and the intermediate level, the work above will go down the drain. Only when the party line, principles, and policies are implemented by the grassroots cadres and the masses in their own units can the party's will and its various objectives be ultimately realized in the countryside. The CPC Central Committee has said that stability takes precedence over everything else. And the key to stability is to make grassroots work a success.

Second, strengthening organizational work in villages will help realize the strategic objective of building the economic edifice on the basis of agriculture by creating a new wave of enthusiasm for agriculture, taking advantage of the opportunity offered by the drive to improve the economic environment and rectify the economic order. The Fifth Plenary Session of the 13th CPC Central Committee proposed that we concentrate our energies on putting agriculture on a sound footing, tackling it as one of the four key links of economic rectification. With the CPC Central Committee paying so much attention to agriculture and the countryside, we are that much more obliged to concentrate on and strengthen organizational work in villages. Given China's existing level of productive forces and at a time when the household responsibility system of linking output to remuneration is the principal management system, village organizations should take up the important mission of translating the strategy of going all-out in agriculture into concrete action. It can thus be seen that strengthening organizational work in villages is a major issue closely related to the objectives of the economic strategy. The two must be tackled together.

Third, strengthening organizational work in villages is necessary if we are to follow the socialist direction, consolidate the socialist system, and bring out its superiority. Ours is a socialist economic system dominated by public ownership. The output responsibility system of linking output to remuneration no doubt is a public-ownership form of organization. In many localities, however, only the land is publicly owned because of undercentralization and overdistribution. The collective economy has been greatly weakened; in many places it exists only in name. When the collective economy is revitalized, it can perform collective undertakings, aid agriculture with industry, help the poor, succor those in

peril, and so on. That way the masses will cherish and love the collective even more and the collective will become even more attractive and more effective as a coalescing force, and the superiority of socialism will be realized. Given the complex situation at home and abroad, the strengthening of organizational work in villages becomes even more purposeful and pragmatic.

Moreover, the achievement of management by objectives and the establishment of a system whereby one level of party and government organizations is held accountable to another also urgently require that we strengthen organizational work in villages. The purpose of setting up a responsibility system is to make one level accountable to another and ensure that party and government organizations function smoothly at all levels. As agencies of the provincial CPC Committee and the provincial government, the prefectural CPC Committee and the administrative office are directly responsible to the provincial CPC Committee and provincial government, respectively. The county (municipal) CPC Committee and county (municipal) government are responsible to the prefectural CPC Committee and the administrative office, respectively. The township CPC Committee and township government are responsible to the county CPC Committee and county government, respectively. If this kind of responsibility system is not implemented at the township and village levels, it would be no different from "taking away the firewood from under the cauldron." So we must fully appreciate the significance of the provincial CPC Committee's repeated emphasis on strengthening organizational work in villages and feel a heightened sense of mission and urgency about making organizational work in villages a success.

Accordingly, agricultural work in villages should be the thrust of prefectural and county work. The spirit of the Fifth and Sixth Plenary Sessions must be woven into all village organizational work at the prefectural and county levels. To make agricultural work in villages a success requires us to examine not only the complex functioning of productive forces and relations of production or the political, ideological, economic, cultural, educational, public health, and family planning aspects at the village level, looking at them in general as well as studying specific problems in particular. It also requires us to consider the relationship and differences between this village and that and offer classified guidance. This makes it imperative that the party increase its ties to the people and the masses. We should go to every township, every village, down to every corner of the land, particularly places with the most problems, to clear up and widen lines of communication between the party and the masses. We should solicit opinions from a broad cross section of township and village cadres and peasants and publicize the party line, principles, and policies vigorously, do a good job steadily, and solve problems at the grassroots.

Organizational work in the villages also involves leading and organizing all sectors, all trades, and all professions to aid agriculture. First, we must help them intensify

their aid-agriculture consciousness and make them tackle aid for agriculture as a basic piece of work in their own sector or trade. Prefectural and county party organizations must insist on including aid-for-agriculture work in the area under management by objectives to be evaluated, rewarded, or punished rigorously. Second, we should dispatch a host of cadres from each sector and each trade to the countryside to offer highly effective and good-quality services in all forms and shapes. Third, prefectural and county party and government leaders must take the lead in helping all sectors and trades run aid-agriculture points and poverty-relief points properly. To do so, they must set an example by operating aid-agriculture liaison points and agricultural development liaison points successfully. Fourth, we should harmonize all sectors and trades and bring out their strengths. In conjunction with villages organizations, we should establish and perfect a production, supply, and marketing service system with a network offering technical services.

Besides, each locality must do a good job in village-level cadre training. Internally, the success of organizational work in villages hinges on the caliber of village-level cadres. The weakness and slackness in village-level organizations today illustrate the critical importance of improving the caliber of village-level cadres. To solve this problem, we must, on the one hand, select a group of outstanding party members and send them to work in village-level organizations. Party and government organizations at the prefectural, county, and township levels must both support them and help solve their problems so that they can go ahead boldly with their work. On the other hand, they must train village-level cadres in ideology, politics, culture, science and technology, and management continuously, using county and township party schools as well as assorted agricultural technical training centers, so that they will adapt to the new situation, live up to the demands of new tasks, and perform their work with facility.

#### **Fujian Urges Increased Safety Measures**

HK0810063390 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 6 Oct 90

[Text] The provincial security committee held its 14th meeting on the morning of 6 October, giving a report on the harmful effects and heavy losses caused by a series of major and serious accidents occurring in our province recently.

The meeting pointed out that the occurrence of these major and serious accidents has revealed that some of our departments and units have problems in their management safety and security work. To prevent any more serious accidents, the meeting called on leaders in charge at different levels of the departments of railways, civil aviation, public security, communications, chemical industry, coal industry, labor, economic committees, and trade unions to attach great importance to the issue, immediately set up teams to carry out checkups at grassroots units and, in particular, to carefully check

production safety and security work at airports, wharves, oil depots, mines, plants producing inflammables and explosives, and other key projects and departments; strengthen all weak points discovered; resolutely remove hidden dangers of accidents; and ensure there is no danger of anything going wrong.

The meeting also pointed out that, when handling without delay major and serious accidents which have caused injuries and deaths, we should use typical cases and severe lessons to educate vast numbers of cadres and the masses to sum up experience and lessons, draw inferences about other cases from one instance, and adopt effective measures to stop the occurrence of nasty accidents.

### **SOUTHWEST REGION**

#### **Tibet Publishes Over 60 Million Books in 10 Years**

OW0510195290 Beijing XINHUA in English  
1130 GMT 5 Oct 90

[Text] Beijing, October 5 (XINHUA)—The Tibetan People's Publishing House has published over 60 million books, covering 1,650 subject areas, in the past ten years.

All of the books are written in the Tibetan language, according to today's overseas edition of PEOPLE'S DAILY.

The wide ranging subject matter includes Tibetan textbooks, agricultural science, economics, culture, medicine, and Tibetan folklore. Thirty-eight types of the books have won national and regional prizes.

The Tibetan People's Publishing House was established in 1971.

### **NORTHEAST REGION**

#### **Heilongjiang Outlines Public Security Goals**

90CM0326A Harbin HEILONGJIANG RIBAO  
in Chinese 26 Jul 90 pp 1, 3

[Article by Ma Wenyuan (7456 2429 0337): "Do a Conscientious Job in Political and Legal Efforts To Restore Public Order: The Heilongjiang Party Committee and Provincial Government Convene a Conference on Political and Legal Work"]

[Text] HEILONGJIANG RIBAO dispatch dated July 25th—The Heilongjiang Party Committee and the provincial government convened the All-Province Conference on Political and Legal Work this afternoon.

The primary tasks slated for this conference are to sum up political and legal work that took place provincewide during the first half of 1990; to focus particularly on examining and summarizing implementation in the overall battle plan to restore public order; to analyze the

situation facing political and legal work; to exchange experiences; and to plan deployment for political and legal work in the latter half of 1990 and the period immediately following.

Participating in the conference are political and legal leaders in charge of the various municipalities, prefectures, and counties; general administrators and political and legal members of party committees at the provincial, municipal, prefectural, and departmental levels; and more than 350 responsible cadres from various political and legal departments.

Heilongjiang Provincial CPC Committee Deputy Secretary Zhou Wenhua; Vice Governor Du Xianzhong; Assistant Vice Governor Zhang Li [1728 0 622]; Deputy Secretary of the Committee for Inspecting Discipline Sun Lianju [1327 6647 5282]; retired cadre Zhao Dezun [6392 1795 1415]; and the members of the Heilongjiang Committee on Political and Legal Work attended today's conference.

Du Xianzhong chaired the conference.

Zhou Wenhua addressed the conference, discussing four issues: 1) A basic appraisal of political and legal work provincewide in the first half of 1990; 2) The situation facing us in political and legal work; 3) The chief political and legal tasks for the immediate future; and 4) Further enhancement of party leadership in political and legal work.

Zhou Wenhua pointed out that since this year began Heilongjiang has worked conscientiously to implement the policy of "stabilizing prevailing forces"; has launched various vigorous political and legal strategies focusing on restoring public order; and, through the combined efforts of the people of Heilongjiang and party committees, government, and political and legal departments at all levels, has safeguarded political, economic, social, and moral order throughout the province. In long-term perspective, we have launched a comprehensive fight to restore public order that is beginning to produce some results.

Zhou Wenhua said that, because we are restricted by international and domestic macroclimates and by certain specific factors within Heilongjiang, there are still many volatile and difficult issues, as well as potentially unstable factors, that affect social stability. Criminal offenses and economic crime are still fairly serious and the legal and political situation facing us is still grave.

In discussing the political and legal tasks facing us in the near future, Zhou Wenhua pointed out that we must do the following things: We must uphold the guiding policy of "stabilizing prevailing forces" throughout the province; we must rally closely around the spirit of the Sixth Plenary Session of the 13th CPC Central Committee and the Sixth Plenary Session of the Sixth Heilongjiang CPC Committee; we must begin by stabilizing the overall situation, mobilizing the entire party, relying on the masses, and adopting effective measures; we must take

further steps in the general fight to restore public order; and we must fully safeguard political, economic, public, and moral order throughout the province. To these ends, we must also do the following:

**1. We must establish a firm guiding ideology for stabilizing prevailing forces and spare no effort in safeguarding public order.** Party and government leaders at all levels must be sure to remain clear-headed and make the job of maintaining public order their number-one priority. For one thing, they must insist on setting a positive example to educate and raise everyone's political consciousness. These are radical measures. For the broad masses of cadres, workers, and young students, we must enhance education in basic Marxist theory and the four basic principles, striving to improve the level of political theory among these groups—particularly among young students—so that they will learn to apply Marxist positions, viewpoints, and methods to analyze issues and distinguish clearly between right and wrong. We must conscientiously strive to strengthen ideological and political work; launch a healthy, profitable social movement to "study Lei Feng and establish a new style, and to learn from Daqing to make new achievements"; expand and encourage healthy trends; and sow the seeds of a better general mood in society. Second, we must establish a responsibility system and apply ourselves to resolving contradictions. We must uphold the principle that "whoever is in charge is responsible" and set up a work responsibility system wherein party and political leaders, all departments, and all units will safeguard political stability. Party committees and political offices at all levels and the primary leaders of all departments and units will assume full responsibility. Those in charge will be directly responsible, and, wherever a problem appears, the relevant leaders will be held accountable. Each department and unit must take positive steps to put any disharmonious elements in order and firmly resolve problems in-house, at their most basic level, in their germinal stage. Third, we must be ever on the alert to employ emergency measures. Party committees, government functionaries and political and legal departments at all levels must, as always, remain vigilant. Fourth, we must enhance intelligence and information efforts and strengthen social control.

**2. We must place more emphasis on comprehensive administration, and firmly, without wavering, fulfill our various responsibilities in the overall fight to restore social order.** First of all, we must firmly establish an ideology of long-term struggle to control and prevent war-weariness, fear of difficulty, and lackadaisical attitudes, and make the restoration of social order a long-term strategy. Second, we must intensify our struggle to strike back relentlessly at serious lawbreakers. We must expose crime completely and punish it severely, resolutely destroy the criminal mob that does the most serious harm, and capture criminals who have fled prosecution. The growing trend toward rooting out many major escaped convicts and containing the most fearsome criminals increases the feeling of safety among the



masses. We must stir up the masses on a grand scale to ferret out serious criminals who remain hidden. We should also bolster our power to crack criminal cases and focus our efforts on solving the crimes and capturing escaped criminals. The worst offenders should be punished strictly, rapidly, and with no lenience. We must earnestly undertake to assist young people in their training, and, where conditions are favorable, organize worker schools. We must act strictly in accordance with the pertinent laws, policies, and regulations to convene timely meetings where stolen goods can be returned and judgment can be publicly announced. We should create a reputation for "strictness" to stop criminal arrogance in its tracks. Simultaneously, we need to launch an intensive attack on economic crime. Political and legal departments should cooperate closely with departments devoted to discipline inspection, supervision, auditing, industry and commerce, and taxation, and coordinate their battles to smash corruption, bribery, profiteering, smuggling, and other grave criminal economic activities. Third, we must uphold the principle of "integrating preventive measures and focusing on prevention," so that by boosting security and preventing crime we can spur the implementation of various restoration measures. We must adopt effective measures to consolidate and improve various security and crime-prevention teams, perfect crime-prevention mechanisms, and guarantee that crime-prevention measures are put into effect at the grassroots level. In urban residential regions and rural villages we must continue to keep break-ins, robberies, and rape under control; in organizations, enterprises, and institutions we must augment internal crime-prevention measures and strictly guard against thievery; in public places we must improve safeguards against pickpockets, robberies, and harassment by hoodlums; on the highways we must launch a special, intensive fight to defeat "car bandits and road terrorists"; on the railroads we must focus on expanding train security and coordinating defense efforts. At the same time, as per the demands of the overall battle plan, we must continue to rectify and improve the situation in industry and in public, reinforce public security administration, and establish a satisfactory state of public order. Fourth, we need to insist on upholding the principle that "whoever is in charge is responsible," and never waver in this conviction. In the long term, each locale must focus on approaching the overall administrative task of restoring public security as a systematic building project. We must tie it intimately to the two kinds of cultural construction, integrate it closely with democratic and legal construction, and put a major effort into educating people to effect a permanent cure. We should establish and perfect a leadership mechanism that links upper and lower levels together, form a partnership in which the party committees lead and the party and government work together, and make the best use of government functions at all levels. We need to organize, from the top down, a system in which the leadership takes responsibility for security tasks and anyone who assumes a local leadership post must guarantee safety and establish, on a macroeconomic level, a place for public security work. We must

build and perfect a management mechanism suited to practical circumstances and set up a public order responsibility system in which goal management is central, and responsibilities, rights, and interests are mutually integrated. On a microeconomic level we must ensure that each measure will be implemented. We must establish and perfect a long-term safeguard mechanism and set up a system of guarantees that will strengthen team construction, improve our combat effectiveness, and acquire financial and material supplies, so that overall social order will develop smoothly and in a healthy fashion.

**3. We must enhance our legal concepts and strive to strengthen socialist democratic and legal construction.** We must proceed based on practical conditions in Heilongjiang to make further improvements in local legislative efforts. This year is the final year of common law, and party committees and government at all levels must reinforce their guidance on issues of common law. Each department concerned should bear the responsibility conscientiously and continue to move the common law effort forward. The goal of legal propaganda and education efforts must be to stabilize the overall situation. We must organize and launch an education program focused on the Constitution, and on laws and regulations aimed at improving the economic environment, rectifying the economic order, and enforcing economic reform. We need to do a good job with education and publicity before the "Administrative Procedural Law" goes into effect, particularly education directed at cadres, legal representatives, and attorneys. At all levels, political and legal departments, cadres, and police must build a firm concept of democracy and law and resolutely uphold the socialist legal principles that where there is law that can be applied it must be applied, that enforcement of the law must be strict, and that illegal activity must be carefully investigated. They must strictly observe the Constitution and enforce the law, and they must protect the democratic rights and the lawful rights and interests of the populace. Political and legal departments must conscientiously investigate any problems involved in law enforcement, proceed realistically, study measures to rectify and reform the system, formulate a practical and realistic work system, and focus earnestly on implementation. Legal research must be based on the actual situation in Heilongjiang, and we must resolve certain pressing issues in the current struggle.

## NORTHWEST REGION

### Janabil Addresses Unity, Religion in Xinjiang

90CM0403A Urumqi XINJIANG RIBAO in Chinese  
2 Aug 90 pp 1-3

["Excerpts" of speech by Janabil at the 15th Enlarged Plenary Session of the Third Xinjiang Autonomous Region Central Committee (19 July 1990): "A Talk

About Several Problems That Have Come Up During Nationalities Theory Indoctrination and Education in National Unity")

[Text] Comrades:

Today I will discuss some views on cognitive problems that have come up during indoctrination in nationalities theory and national unity education.

Since 1982, we have unflaggingly conducted indoctrination in Marxist nationalities theory and education in national unity among the cadres and masses of all nationalities. This has played a fine role in promoting the unity of nationalities in the Xinjiang Autonomous Region. Specifically, theoretical indoctrination and education of party and government cadres and intellectuals of all nationalities that included indoctrination in and propagandizing of the Marxist view of nationalities and that focused on nationalities problems laid a theoretical foundation for the establishment among the broad masses of cadres and the public of an ideology of the unity of nationalities. Indoctrination, propaganda, and education in these regards is now becoming more pervasive. Recently, some institutions of higher education in the autonomous region's academy of social sciences convened several seminars on the subject of opposing splittism among nationalities. I also participated on two occasions. Judging from the indoctrination in nationalities theory and education in the unity of nationalities of the past several years, I believe that the ideology of the cadres and masses of all nationalities is healthy, improving, and that the main thrust is fine. Nevertheless, as a practical matter, we must recognize that during the past several years a certain amount of muddled understandings and erroneous points of view have continued to exist, or exist to a greater or lesser extent about nationalities issues among some cadres and members of the public. Unless these conceptual problems are solved, they will greatly hamper more pervasive progress on nationalities unity matters in the autonomous region. One important task today is to ensure that future nationalities theory indoctrination and education in the unity of nationalities in the region will clear up these conceptual problems, take a clear-cut stand in explaining a positive view that guides the cadres and masses of all nationalities to clarify their thinking, and establish a correct point of view. I will take up several problems below.

#### **1. How To Make a Correct Evaluation of the Nationalities Unity Work of the Past Several Years**

Everyone is aware that, under leadership of the CPC Central Committee, during the past several years both party organizations and people's governments at all levels in the autonomous region have diligently implemented the guiding ideology for nationalities work during the new era, have conscientiously carried out the "Nationalities Areas Autonomy Law," have earnestly executed the party's nationalities policies, and have taken a clear-cut stand in attending to the task of

national unity education. All this work has produced positive results that should not be underestimated. This shows up, at minimum, in the following three regards:

First, politically, national unity throughout the region has steadily progressed with consolidation of the stable and unified political situation. During the past several years, we have adopted many means, as different levels require, for the unflagging and general education of cadres and the masses of all nationalities in Marxist nationalities concepts, the party's nationalities policy, and national unity. Furthermore, in 1983, we began an eight-year-long "national unity education month" campaign in which awards were issued to units and individuals who were models of progress in national unity, thereby bringing national unity work to the grassroots level. At the same time, we also adopted correct plans and methods for actively and steadfastly dealing with problems that occurred between various nationalities. As a result of these highly effective actions, Marxist nationality concepts became increasingly well understood. They safeguard the unity of the motherland, enhance national unity, and serve to get the idea of the common prosperity of all nationalities more and more into people's minds. The "two inseparables," the "four everybodies," and the "five reciprocals" that everyone knows by heart have become the order of the day; a large number of united and progressive individuals who are models of progress in national unity have emerged; and close unity within the great family of the Chinese people, and unswervingly taking of the socialist road have become the staunch conviction of cadres and the public of all nationalities.

Second, thanks to creation of a stable and unified political climate, extremely important conditions have been created that have advanced Xinjiang's economic development.

Third, during the past 10 years, social endeavors of various kinds have developed rapidly in the region. The number of regular institutions of higher education in the region has increased from the 10 of 10 years ago to 20; the number of regular senior middle schools has increased from 673 to 809; the number of secondary vocational and technical schools has risen from 86 to 281; and the speed of increase in the number of minority nationality students in school is higher than that for the region as a whole and for the country as a whole. In other fields of endeavor, such as science and technology, culture, health and sanitation, and sports, progress has also been made by leaps and bounds.

Everyone acknowledges the above accomplishments, and all these glorious accomplishments were won through national unity. All are the result of the implementation by CPC Committees and people's governments at all levels throughout the region of the party's nationalities policy and the bolstering of education in national unity. For many years the autonomous region has provided fresh experiences in the correct handling of nationality relationships, and has furthered work in the

field of the unity of nationalities to solve nationality problems during the period of socialism.

Xinjiang Province is located in a border region, and it is also an autonomous region in which many nationalities are congregated. Good performance in unifying nationalities is an important guarantee and prerequisite for the socialist modernization of Xinjiang, and for smooth conduct of reform and the opening to the outside world, which affects the fundamental interests and future of people of all nationalities. Experience proves that in the socialist modernization of Xinjiang, much serious attention must be given to nationalities problems, the unity of nationalities being handled as a matter of major importance that is crucial to the overall situation. This is determined by Xinjiang's special position and history, as well as real factors. Progressive ideology, including Marxist nationality concepts, cannot generate spontaneously from the mass of people. Only through repeated education can they come to be accepted and consciously acted on by the masses. In recent years, some people have been unable to distinguish between the mainstream and tributaries of the national unity situation in the region. They say things like, "There is no need for education in the unity of nationalities, nor are any marked results evident." In some instances, people even believe that "It was better in the past when the unity of nationalities was not emphasized. Now that we have the unity of nationalities year after year, we have incidents year after year." Such points of view show that some comrades lack sufficient appreciation of the importance of nationalities unity work and the accomplishments we have made in this regard, and show that they hold a negative attitude about nationalities unity education. Another extremely small number of individuals vilify nationalities unity education. We should pay attention to this. No matter from what modes of thought they stem, such ideas are completely wrong. They damage continued efforts to move ahead with the nationalities unity campaign, and they hurt continued good performance of nationalities work.

## 2. How To Completely Understand and Act on "Nationalities Problems"

After correcting the skewed understanding that maintained that "nationalities problems are essentially a class problem" during the past several years, another distortion appeared, namely that "nationalities problems are essentially an economic problem." This makes it appear that all that has to be done is solve problems in economic development and "nationalities problems" will be readily solved. Such a warped notion has a certain adverse effect on some comrades on the theoretical front and in actual work units in the region. Marxism maintains that nationalities problems are complex social issues. They are a part of the overall problem of a society's development, and they are part of the overall problem of the socialist revolution and the building of socialism. We must fully understand and act on "nationalities problems," guarding against simplifications and distortions.

The overall nature and complexity of the "nationalities problem" may be understood in three regards as follows.

**First is in terms of what constitutes a nationality.** Marxism holds that nationalities are communities of people that arise and take shape out of clans and tribes once a people's social productivity develops to a certain level. Their formation includes factors in both the economic foundation as well as in the superstructure, ideological factors, and factors in the mode of social intercourse, including certain geographic conditions, as well as language and literature. The definition of a nationality that Stalin gave was as follows: "A nationality is a stable community of people that has developed a common language, a common location, and a common economic life over time, and whose culture also exhibits common psychological traits." In identifying and differentiating the various nationalities in China, the party and the state proceed from the country's realities, clearly stipulating that any stable community of people living on Chinese soil, no matter its population, the size of its area, the stage of its social development, and whether its main body lives within Chinese territory is to be termed a "nationality" so long as it has shaped distinctive features in its economic life, language and literature, dress and personal adornment, habits and customs, and sense of nationality. The rise and development of nationalities suggests that to regard a national or nationality problems from any single aspect, no matter whether in terms of its politics, its economy, or in terms of its thinking, culture, and location is one-sided. Such a way of looking at issues is a violation of a nationality's basic characteristics and fundamental laws of development.

**Second is in terms of the origins of nationality issues.** Marxism holds that nationality problems are an important problem that appears when man develops to a certain historical stage. Nationality problems are, in a nutshell, relations and conflicts among nationalities. They are manifested in political, economic, language, and lifestyles, and in various aspects of habits and customs that run through the whole process of a people's existence and development. Relations and conflicts among nationalities differ in content and character at different historical periods and under different conditions. In a class society, nationalities problems are intertwined with ethnic and class factors. The principal expression and basic ingredient in nationalities problems is ethnic oppression, ethnic exploitation, and the misunderstandings, prejudices, enmities, clashes, and struggles between peoples that stem from them. In a socialist society, we get rid of private ownership of the means of production, establish socialist public ownership, and eradicate ethnic oppression and the exploitation system to bring about political equality for all nationalities. Since class contradictions are no longer the main contradiction in China's society, it is likewise not the main contradiction giving rise to nationalities problems. Nevertheless, class struggle still exists to a certain extent, therefore, it is bound to have a certain effect on nationalities problems. This is a matter that we positively



cannot just shrug off. In addition, we must also realize that even in a socialist society, differences between one nationality and another will endure for a long time, and that the disparities among different nationalities' level of economic and cultural development that history has bequeathed will also endure for a very long time. This is an important reason for the continued existence of nationality problems during the period of socialism. Of course, nationalities problems during this period differ fundamentally from past nationalities problems, yet they are still a complex and important social problem.

**Third is in terms of the long time required to solve nationalities problems.** The final solution to nationalities problems is realizable only when nationalities wither away. The withering away of nationalities is a very long-term process that cannot be realized right now or in the near future. Its attainment will have to await the advent of socialism and communism throughout the world. Lenin said that the differences between peoples "will remain for a very long time after realization throughout the whole world of the dictatorship of the proletariat." Mao Zedong also explicitly noted that "first comes the withering away of classes, followed by the withering away of the state, and followed by the withering away of nationalities throughout the whole world." We Communists firmly believe that all nationalities will ultimately follow a path in which nationalities blend together, all nationalities ultimately wither away, and mankind no longer is divided into nationalities. However, the blending of nationalities is a long-term historical development process, and the result of all people's development of great prosperity. The stage of socialism is a period in which all nationalities fully develop prosperity. The socialist system provides extremely advantageous conditions for the first time for all people to develop prosperity. Only during this period do all peoples, particularly backward peoples have for the first time the best and fullest opportunity for development. Only during this period are they able to apply the most exuberant vitality to the development of their own intelligence and wisdom to make their own contribution to mankind. Those who fail to see the long-term nature and complexity of nationalities problems, adopting instead an attitude of impatience to succeed and ways of thinking and acting that regard nationalities problems as being solely attributable to economic development problems, demonstrate a lack of historical foresight and a lack of overall perspective.

Our emphasis on the need for complete understand and mastery of nationalities problems requires that there is absolutely no denial or failure to recognize that nationalities problems may be manifested differently during different historical periods and stages of development, and pose different requirements for their handling. Following the Third Plenary Session of the 11th party Central Committee, the building of the economy became the central task throughout the party. At the same time, the nationalities problem in China increasingly manifested itself in

nationality areas' urgent demands for accelerated development in their economy and culture. For the past more than 10 years, we have steadfastly persevered in economic development as a key task in nationalities work. In the future, we will continue to persevere in this work. However, we cannot overlook other problems on this account. As the economy develops, problems in the development of minority nationality cultural and educational endeavors will become more conspicuous. As the opening to the outside world and exchanges with the outside world expand, the continuation and development of the traditional culture of minority nationalities will loom increasingly important. As the international macroclimate and the domestic microclimate change, religion problems will become an important problem that cannot be overlooked in nationalities work. The struggle against ethnic splittism will become more severe. A high degree of serious attention will have to be paid to these problems and a solid job done in matters relating to them. This is the only way to solve problems favorably for nationalities.

### **3. The Greatest Danger to Xinjiang Is Ethnic Splittism**

During the end of 1989 and the beginning of 1990, the autonomous region CPC Committee several times analyzed the situation in the autonomous region as regards the key task of stability. Using the understanding gained in previous years, it shaped a complete and systematic view of the situation in the autonomous region. The overall situation in Xinjiang is good. The nationalities are united, society is stable, the economy is developing, and the people are living and working in peace and contentment. Nevertheless, elements for instability also exist. Both domestic and foreign ethnic splittist movements do objectively exist. Domestic and foreign ethnic splittist forces unfurling the "East Turkistan" independence banner pose the main danger to the overall situation of stability in Xinjiang. The Baren Township armed counterrevolutionary uprising that took place not long ago provides profound testimony that the estimate of the situation of the autonomous region's CPC Committee is correct. Today, when we are conducting education in ethnic unity and in policies for dealing with the situation, we are also paying attention to doing more education in these regards to emphasize clearly that ethnic splittism is the main danger in Xinjiang. Judging from changes in the thinking of cadres and the public, people have a heightened understanding that ethnic splittism poses the greatest danger to Xinjiang; however, some muddled ideas exist that require clarification for the further heightening of understanding and unification of thinking.

Today, when we state that ethnic splittism poses the main danger to Xinjiang, quite a few people feel that this is being somewhat alarmist, and some individuals also doubt that such a judgment fits the facts. The outbreak of the armed counterrevolutionary rebellion in Baren Township provided a convincing lesson. The lessons that these events taught us I will not go into here. I want to emphasize two points. The first is that the ethnic splittism problem in Xinjiang is an old problem; it is not a new problem. Xinjiang is located on the frontier of our great motherland.

and it is also a multinational region whose political, economic, geographic, military, and strategic positions are extremely important. It is for this reason that external aggressive forces are always thinking about splitting Xinjiang away from China. In recent history, Russia, Great Britain, France, the United States, and some other countries attempted to split Xinjiang away from China, making it their own colony, or putting it in their sphere of influence. Following the founding of New China, both national unification and national unity were unprecedentedly solid, but the struggle to safeguard the unification of the motherland, to safeguard ethnic unity, and to guard against the splitting of the unity of the motherland and the wrecking of ethnic unity continued throughout, and was very fierce at times. The struggle that we are facing today is a continuation of the historical struggle. Second, it must be realized that the ethnic splittism campaign inside and outside the country during the past several years is truly fairly rampant. Some organizations use visits to China to visit relatives, to do sightseeing, or to transact business as opportunities for sending secret agents into Xinjiang to carry out all sorts of subversive activities, to suborn people from Xinjiang going on pilgrimages to Mecca, to conduct reactionary propaganda against people from China traveling abroad, and to mail into China reactionary propaganda and publications. Their main goal is to establish "East Turkistan," splitting Xinjiang from the motherland. Enemies from outside the country and some people inside Xinjiang engage in splittist activities, some of them acting in concert. Some people in the education, literature and arts, newspaper publishing, and ideological theory fields use lectures, articles, academic discussions, works of literature and art, and books to distort history, and to concoct *The History of East Turkistan*, claiming that "Xinjiang is an independent country." They propagandize the Islamic spirit, and propagandize and preach reactionary ideas of "independence, emancipation, freedom, and awakening" to fan splittist sentiment, and create public opinion for a split. Some people also unfurl the banner of religion, use all sorts of illegal activities conducted in places for religious activity, and use religious formulas to imbue the next generation with ethnic splittist ideology, creating religious fervor among the faithful. Terming ethnic splittism the "main danger" is not to say that splittist activities have plunged Xinjiang into danger or into a crisis, but rather to say that among all the factors that might harm Xinjiang's stability, domestic and foreign ethnic splittist forces are a real and principal danger. The overall situation in Xinjiang is stable. We are able to deal with ethnic splittism no matter how serious, including armed counterrevolutionary rebellion, which cannot impede the overall situation. However, we must take a clear-cut stand in struggling against ethnic splittism, not permitting the plots of domestic and foreign splittist elements to succeed.

Both the counterrevolutionary organizations engaged in ethnic splittism and those who attempt in vain to establish an independent country all champion an "East Turkistan." Just what is this thing called "East Turkistan"? A clear explanation must be given the cadres and

the public. This will be greatly beneficial to their understanding its reactionary nature and dangerousness. Briefly put, "East Turkistan" is a place name that Europeans first created in the early 18th century. At that time, the area extending from south of the Tian Shan to northern Afghanistan was called "South Turkistan." "South Turkistan" was divided into "West Turkistan" and "East Turkistan." "Turkistan" applies to southern Xinjiang, and also to all of Xinjiang, which is also termed "Chinese Turkistan." The use of a place name that the Europeans used as a reactionary banner for splitting the unity of China began in the early 20th century. In 1933, the British Empire tried in vain to make southern Xinjiang independent, and then to link it together with its colonies of India and Afghanistan. Supported by the British, splittist elements Sabit Damullam and Mohammed Yimin started an insurrection in southern Xinjiang after which they plotted the establishment of a so-called "East Turkistan Islamic Republic" in Kashi. Because the split proved unpopular, this so-called "East Turkistan Islamic Republic" lasted only three months before the local people toppled it. The provincial government suppressed Sabit Damullam, and Mohammed Yimin escaped abroad where he wrote *The History of East Turkistan*, which preached "independence." The above historical facts tell us that this "East Turkistan" banner was from the very beginning a reactionary imperialist banner to split the unity of China, which was opposed and rejected by all nationalities in Xinjiang, including the minority nationalities.

#### 4. Xinjiang Has Been an Inseparable Part of China Since Ancient Times

Scholars long ago came to the conclusion that Xinjiang has been an inseparable part of China since ancient times. In recent years, however, some people have constantly expressed a different view on this issue, and some works have openly expressed and published them to the detriment of society. Some people even contend that during the Xiongnu era Xinjiang was always an independent country not under jurisdiction of the imperial court in China. Others maintain that Xinjiang was an independent country in ancient times, and that it was not until the rule of the Qianlong emperor during the Qing dynasty that it came under Chinese rule, and so forth. These contentions are offered as so-called historical data for the splitting of the motherland.

The history of mankind's development tells us that the boundaries of an overwhelming majority of countries in the world gradually came into being over a period of historical time. The modern domain of China also was set through a long historical period of change. According to the *History of the Former Han Dynasty: Western Territories Section*, more than 2,000 years ago, that is, 60 BC, the Western Han dynasty established a protectorate in the western region, which ruled 36 nomadic kingdoms and the state of Wusun in that region. This was the beginning of Xinjiang becoming part of the Chinese domain. In recording this important historical event, the *History of the Former Han Dynasty* said, "The Han writ

runs in the western region!" Not only does this sentence clearly capsule the role of the protectorate, but it also profoundly reveals the relationship between Xinjiang and the Han dynasty, between a local area and a state. The Eastern Han's ruling organization in the western region was also mostly western area protectorates. Although the 36, or sometimes more than 50, kingdoms and the state of Wusun ruled their own territories and their own people under the rule of the Han dynasty emperor and the western region protectorate, they had to obey the orders of the Han dynasty. Their kings, nobles, kunmo [2492 5459], and xihou [5047 0186] used Han court-prescribed document seals and ribbons showing Xinjiang to be under Chinese suzerainty.

The Han dynasty model for ruling Xinjiang was continued and expanded upon by succeeding dynasties. From the beginning of the third century until the beginning of the eighth century AD, to one degree or another the Wei, the Western Jin, the Northern Liang, the Northern Wei, and the Sui dynasties all ruled Xinjiang. The Wuji official and the western region elder officials, which were first established in the Han dynasty, endured until the first third of the fourth century. The main system that the emperor Qin used to unify China in AD 327, the county and prefecture system, originated in Xinjiang. This was the establishment of Gaochang Prefecture. Gaochang Prefecture existed for more than 100 years. It and the prefectures in the western part of modern-day Gansu Province were under rule of the same dynasties. After the Sui dynasty unified the central plain, it established Yiwu (modern-day Hami), Shanshan (in the area south of Lop Nor), and Qiemo (Tongqian) Prefectures in the further development of the county and prefecture system. During the foregoing periods, centers of minority nationality power in Xinjiang such as Wusun (Yili), Yuegu (Yili), Gaoche (northern Xinjiang), Tiele (northern Xinjiang), western Tujue (northern Xinjiang), Yutian (Hetian), Kepan (Taxkorgan), Sule (Kashi), Guici (Kuche), Yanshi (Yanshi), and the center of Han local authority at Gaochang maintained a vassal relationship in varying degrees with the Wei, the Western Jin, the Northern Liang, the Southern, the Northern, and the Sui dynasties. This relationship was exhibited in matters such as accepting appointments of Chinese officials, the king's payment of tribute in the Chinese court or the dispatch of envoys to do so, the sending of princes to serve as court attendants, and the acceptance of imperial tokens of authority and imperial summonses. From the seventh century until the beginning of the 10th century, the rule of the Tang dynasty, which unified the whole country, advanced the subordinate relationship of Xinjiang to the central government to a new stage. The Tang dynasty established prefectures, namely Ting, Yi, and Xi in modern day Urumqi, and Hami Prefecture, and Turpan Prefecture in Cangji Hui Autonomous Region in an expansion of the Xinjiang prefecture system. There was the Weichi clan court in Yutian, the Pei clan court at Sule, the Bai clan court at Guici, the Long clan court at Yanshi, the western Tujue tribe, the Tuqishi tribe, and the Geluolu tribe whose minority

nationality governments still ruled over these areas, peoples, and tribes, but that had to accept the overlordship of the Tang dynasty court and of the Anxi Protectorate and the Beiting Protectorate as well. Their kings or khans were invested by the Tang dynasty civil administrators and military governors of the protectorates established there. Tang dynasty policies and laws prevailed in Xinjiang, producing a never to be obliterated influence on Xinjiang society.

From the 10th to the early 13th centuries, Chinese political affairs once again fell into a confrontation between the south and the north and the simultaneous existence of several political authorities. However, the traditional subordinate relationship of the various minority nationalities in Xinjiang to the Chinese emperors ruling the central plain was maintained in varying degrees. Huigu [name given to the ancient Uyghurs] in Gaochang, and Yutian, which was a part of the Halahan dynasty established a grand palace and a palace, respectively, under joint control of the Gaochang protector (king), the king of Yutian, and an official dispatched from the Liao dynasty. Both the Gaochang protector and the king of Yutian referred to the Song dynasty emperor as uncle, and termed themselves nephews. Not only was this an acknowledgment of marital ties between the Tang dynasty and Huigu, but also expressed their own vassalage to the Song dynasty. Superficially, ties between the Halahan kingdom and the Chinese dynasty on the central plain were fairly distant, but the khan of Halahan frequently included in his appellation the term "peach blossom shihan" [4258 3063] as a mark of his subordination to China. The 10th century Persian literary work, *Record of Realms in the World*, listed Hetian, Kashgar, and Kuche as being dependencies of China. The famous 11th century *Great Turkish Language Dictionary* by Mohammed Keshigeli terms Qin (meaning China) as a country having three parts—upper, middle, and central—with Kashgar being in lower Qin.

The great united national domain under the Mongol Yuan dynasty that existed from the early 13th to the mid-14th century also included all of Xinjiang. The establishment of the Secretariat of State Affairs for Bieshibali demonstrated that, from its very inception, the Chinese provincial system prevailed in Xinjiang. The presentation to the Yuan court of the local household register for the Chigatai khanate in 1308 during the reign of the Genghis Khan demonstrates unambiguously that Xinjiang was a part of the Yuan dynasty. During the Ming dynasty, not only was an administrative division established at Hami, but Bieshibali and other minority nationality regimes also were invested by China, sent envoys to pay tribute to the Chinese court, and accepted Chinese officials. By the time of the Qing dynasty, Xinjiang's position as a part of China was even more completely recognized both in China and abroad; thus no detailed explanation is required.

As was said above, for more than 2,000 years, either the Chinese central government or dynasties in the central



plain of China ruled Xinjiang through dynastic change after dynastic change, and the rulers of the minority nationalities of Xinjiang likewise went through change after change, but the fact of Xinjiang being a part of China continued without interruption and became more and more consolidated. All nationalities increased in numbers, lived, and labored on the large land mass of China, jointly made up the great family of the Chinese people, and created China's own glorious history. Theories that seek historical reasons for splitting Xinjiang away from the great family of the motherland violate historical reality and the trend of national development and advance. The use of historical issues to practice splittism has never been successful.

### 5. On the "Two Inseparables" Issue

Ever since 1982, in the course of our widespread ethnic unity campaigns, we have put forward a resounding slogan, namely that "the Han nationality is inseparable from the minority nationalities, and the minority nationalities are inseparable from the Han nationality." This slogan is now known in every household in the land. "Two inseparables" thinking is increasingly penetrating people's minds, and has become an important guiding thought in our correct handling of relationships among nationalities. At the same time, however, it must be realized that some different views still exist about the "two inseparables" slogan and concept, and that further unification of thought is very much needed.

One point of view is that the "two inseparables" has no theoretical basis. The "two inseparables" is a moving and vivid capsulation of the socialist relationship among nationalities of equality, unity, mutual assistance, and common prosperity of all nationalities within our Xinjiang Autonomous Region in which numerous nationalities live together. It is not only in keeping with the realities of relations among nationalities in our autonomous region, but is also in keeping with the realities of relationships of nationalities throughout the country. Even use of the "two inseparables" to capsulate the country's historical relationship among nationalities, including the historical relationship among nationalities in Xinjiang, is also in keeping with realities. In recent decades, in particular, the minority nationalities and the Han nationality in Xinjiang have conducted an indomitable struggle to safeguard the unity of the motherland, to realize ethnic equality, and to build a new China, writing song after song of triumph for the unity of nationalities. After the liberation of Xinjiang, the minority nationalities and the Han nationality united for mutual assistance, exerted themselves to the utmost to bring about development, jointly built the inchoate economic and cultural endeavors that exist in Xinjiang today, and lay a foundation for the further joint prosperity of all nationalities. If such enduring unity for mutual assistance, joint development, and a relationship of common prosperity or decline, and common honor or disgrace is not the "two inseparables," what is it? As for the theoretical basis for this "two inseparables" formulation, two points must be made: First, upholding the

unity of all nationalities is a basic principle and a fundamental point of view of Marxism. The fundamental interests of Marxism require that the principle of the unity of nationalities be upheld, and "proletarians of the whole world unite!" and "proletarians and oppressed peoples of the whole world unite!" are its great combat commands. Second, the "two inseparables" thesis is an extremely definite prerequisite condition that applies to China as a unified country of many nationalities, to Xinjiang as an inseparable part of the motherland since ancient times, and for Xinjiang as an autonomous area in which many nationalities are gathered together, including the Uygurs, the Han, the Kazakhs, the Hui, the Mongols, the Kirgiz, and the Xibe. Deviation from this prerequisite means that any discussion of "minority nationalities being able to exist separate from the Han nationality, or the Han nationality being able to exist separate from the minority nationalities," and so on, is clearly to distort the significance of the "two inseparables" or to have an ulterior motive.

In recent years, and particularly nowadays, we have repeatedly emphasized that firmly implanting the ideology of "two inseparables" is very pertinent. Some comrades fail to see the significance of propagandizing "two inseparables" ideology. Some comrades say that everyone lives together harmoniously without devoting particular attention to the "two inseparables," and the more attention given to the "two inseparables," the more ethnic unity is damaged. Such a point of view is wrong. In a multiracial area such as Xinjiang, how to regard and how to handle relationships among nationalities is a real issue that cannot be avoided. Whether a "two inseparables" ideology is established with regard to this real issue is of crucial importance. In the recent Baren Township counterrevolutionary rebellion, a small handful of counterrevolutionaries used religion as a cover to unfurl the banner of establishing the "East Turkistan Islamic Republic," and to raise slogans of opposition to the Han nationality, to discriminate against the Han nationality, to eradicate the so-called "infidels," and to "drive the Han out of Xinjiang" in a vain effort to fan racial hatred and racial confrontation. In the face of such circumstances, unless an ideology of "two inseparables" is inculcated in our minority nationalities, they will be unable to hold fast and take a clear-cut stand in struggle against those who engage in ethnic splittist activities. Furthermore, if we do not clearly establish an ideology in our day-to-day work of "doing a good job in Xinjiang" requires that minority nationality cadres be inseparable from Han nationality cadres, and that Han cadres be inseparable from minority nationality cadres," we will not be able to do real work. As another example, our leading cadres, comrades in relevant departments, and leaders in enterprises involved in building the economy and cultural endeavors cannot concern themselves solely with economic benefits, but must also pay attention to social benefits, which is to say they have to think about the problem of spurring development in minority nationality areas and looking after the interests of the minority nationalities. This likewise requires that we

implant the "two inseparables" ideology. In propagandizing the "two inseparables" ideology, we do not just summarize the past. Of greater importance is a focus on the future. In the process of further reform and opening to the outside world, in carrying out the three-step modernization strategy, and in the process of further large-scale development of Xinjiang during the next century, peoples of all races in Xinjiang share a common ideal, common benefits, and a common destiny. Only if there is a relationship of mutual inseparability between the Han nationality and the minority nationalities, and among all minority nationalities, and only by persevering in the "two inseparables," can all nationalities in Xinjiang have a bright future. If the "two inseparables" relationship is broken, there is disunity among nationalities, or even antagonisms, rejections, and hatreds form, this can only create social upheaval and regression, which is of no benefit to any nationality. Those hurt will be the peoples of all nationalities.

#### 6. On the Equality of Nationalities

Everyone is aware that adherence to the equality of nationalities and opposition to ethnic discrimination and oppression are a fundamental principle of Marxist nationalities theory, as well as an important nationalities policy of our party and state. This is also a requirement of the socialist system. Socialist ethnic relationships are relationships of equality, unity, and mutual assistance. Without the equality of nationalities, the unity of nationalities loses an important political basis; without the equality of nationalities, there can be no unity, friendship, and cooperation among the various nationalities in this great family of the People's Republic of China for the achievement of the unity of the motherland. The stability of the motherland will also be difficult to sustain. Without the equality of nationalities, the socialist character of our country will be unable to find expression in nationalities issues and in nationalities work. In short, the equality of nationalities is an extremely important issue for our multiracial country.

One most erroneous point of view regarding the equality of nationalities issue is denial that racial equality exists in China today. Since the founding of the People's Republic, we have eradicated the exploitation of nationalities, and the oppression of nationalities. Politically, economically, and culturally, all nationalities enjoy equal rights that are guaranteed in the Constitution and the law. In both China and the autonomous regions, the equality of all nationalities is a fact that no one can deny. Any point of view that disregards and denies this fact is wrong. There is a very large body of convincing data in this regard. I want to emphasize that we must clearly realize that the raising of such erroneous points of view has an ulterior motive. Who is it that advances the view that holds that in a socialist country such as ours, particularly in Xinjiang where there is equality between the Han and the minority nationalities, that the minority nationalities are looked down upon or even oppressed and enslaved? It is put forward by some people inside and outside China who hate socialism, and who hate the

Communist Party of China. Such a view is not only wrong, but reactionary as well. The goal of hostile elements inside and outside the country who say black is white and white is black, deny the facts, and attack our ethnic equality is to dwell on the nationalities, and to use the sowing of dissension among nationalities and the fanning of antagonisms and hatreds among nationalities in a vain effort to use nationalities problems to carry out activities that split the motherland, and in a vain effort to separate Xinjiang from the great socialist family. This is the sinister intent of those who deny that racial equality exists in China today. In this regard, comrades should bear in mind the 15 June incident that took place in Xinjiang in 1988. At that time, an extremely small minority of college students unfurled the banners of "oppose racial prejudice" and "oppose racial slavery." They shouted, "Our people will not be slaves." One can be certain that these slogans were not invented by those college students who have little real experience with life. Those college students were guided or influenced by a small minority of evil people. This also shows that the purpose of the attacks of an extremely small minority of internal and external hostile elements and ethnic splittist elements, and their denials that China has racial equality are truly extremely malicious. In replying to wrong views that attack and deny the equality of races in China today, we must both expose the malice of those who manufacture and spread such wrong ideas, and we must also provide better education in facing them squarely. Some teaching materials are available for this purpose. Not only must we publicize the specific ways in which the present equality of peoples in China today is manifested, but we must also provide some information about the history of race relations in China, and provide some information about other countries in the world in which racial oppression and racial prejudice have not been eradicated. I believe that when comparisons are made, either historically or between one place and another at the present time, anyone who acknowledges the facts and is honest and fair will come to the conclusion that, under leadership of the Communist Party of China and under the socialist system, the peoples of all nationalities in China are truly equal with each other.

The reality of relations between the country and the people of Xinjiang shows that "actual inequality among peoples" does not exist, and that there are only differences among people in their level of development that has been bequeathed by history. Everyone realizes and recognizes that there is a difference between the level of economic and cultural development between the country as a whole and Xinjiang, and between the minority nationalities and the Han nationality, however, this difference is not so great as to limit objectively the degree of equal rights that the minority nationalities and the Han nationality likewise enjoy. After the founding of New China, with the establishment of socialist relations, not only was the oppression of peoples and the exploitation of peoples abolished, and the roots of prejudices and antipathies toward peoples eradicated, but a whole body of policies, systems, and laws were put into effect and

constantly perfected that were suited to the national circumstances and to the realities in many nationality areas, and that safeguarded and developed equality, unity, and mutual assistance among peoples. At the same time, under the foregoing conditions, the economic and cultural life of all minority peoples saw unprecedented development, and their level of development rose greatly. In China, no longer does "actual inequality among peoples" exist. This should be said to be a realistic attitude.

### 7. On the Development of Resources in Xinjiang

Xinjiang is a vast area abounding in natural wealth where the abundant resources await further development. Both in terms of nationalities work and economic work, the development of Xinjiang's resources is naturally given serious attention. Splittist elements inside and outside the country, and some people who vainly seek to destroy the unity of nationalities likewise use the development of Xinjiang's resources as a topic about which to make an issue. Around the time of the 15 June 1988 incident in the autonomous region, some people brought up some inflammatory views such as "Xinjiang's petroleum flows eastward, and its cotton is shipped away," and "a lot of goods are shipped out of Xinjiang, but few goods are shipped in." They even said that "Xinjiang's resources should not be allowed to be extracted and shipped." When this Baren Township counterrevolutionary rebellion occurred, a small handful of counterrevolutionaries also used the development of Xinjiang's resources for purposes of incitement. Some splittist elements unfurled the banner of "nationalities interests" to spread the ultrareactionary and ultraerroneous so-called "state plundering of Xinjiang's resources" view. Thinking among cadres and the masses of all nationalities in the region about the development of Xinjiang's resources shows the continued existence of many mixed-up perceptions.

On the matter of the development of Xinjiang's resources, it must be made clear to cadres and the masses of all nationalities that Xinjiang is a part of the People's Republic of China, and Article 9, Chapter 1, of the Constitution provides that "natural resources, including ore deposits, streams, forests, mountain ranges, grasslands, wastelands, and beaches belong to the state, that is, they are owned by the whole people (except where the law provides that forests and mountain ranges, grasslands, wastelands, and beaches are collectively owned)." Xinjiang's resources, like resources in other provinces throughout the country are owned jointly by all nationalities throughout the country; they are not owned solely by any single nationality or region. As a representative of all the people, the state proceeds from the nation's overall interests and on the basis of needs for economic development in the planned step-by-step rational development and use of all kinds of resources nationwide, including resources in minority nationality areas. This is only as it should be, and it is in keeping with the basic interests of the people of the whole country, including the people of all minority nationalities. Therefore, to

propose that there should be no extraction and shipping of Xinjiang's resources, and to oppose the movement of resources from Xinjiang is completely wrong. Those who hold such views are only an extremely small number of scoundrels or extremely mixed-up people. The broad masses of cadres and the masses of all nationalities do not agree with this point of view.

Is the view correct that maintains that Xinjiang's resources are flowing out of Xinjiang? The view that resources are flowing out of Xinjiang is a very lopsided one. It takes into account only the shipment of materials such as petroleum and cotton. It does not understand the overall situation in materials exchange, and it does not understand the changes that have taken place in materials exchanges during the past 40 years. Let me explain several major situations or figures here. All of Xinjiang's modern industry was gradually built following liberation. Only the shipment from the interior of China of large amounts of materials and equipment made possible the development of local industry. In addition, 95 percent of the industrial manufactures needed in the daily life of people of all nationalities was shipped into the region from the interior of China during the period immediately following liberation. After 40 years of development, more than 50 percent of the industrial goods sold in markets today continues to be shipped in from the interior of China. Today Xinjiang has a certain amount of industry; it is partially self-sufficient in numerous materials; and thus it no longer requires state allocations. However, a very large number of things must still be shipped in. Seventy percent of hardware, communications, and chemical materials, 40 percent of textiles, 70 percent of steel products, 100 percent of nonferrous metal raw materials except for aluminum, and more than 90 percent of chemical industry materials, and so on, must be shipped in from fraternal provinces and regions. In addition, interior China has to be relied on substantially for industrial machinery and equipment. One can say with certainty that were materials not to be shipped into the region, maintenance of supply and production would be difficult. By comparison, the materials that Xinjiang is able to ship out is very small. Take petroleum, for example. During the past 40 years, Xinjiang has produced a total of 88.9 million tons of petroleum, 28.5 million tons of which was shipped to interior China, shipments amounting to slightly more than 32 percent of gross output. This is to say that we ourselves used two-thirds of the petroleum produced in Xinjiang. As another example, cotton shipments to the interior have amounted to only one-third of gross output, and shipments of coal to the interior have amounted to only about one-tenth of gross output. The foregoing situations or figures show that when those who say that "Xinjiang's goods flow eastward" are looking at only one very small aspect of the situation. The overall situation is that materials enter and leave, the amount entering being greater than the amount leaving. That Xinjiang is able to have an "outflow of materials and resources" should be said to be a very good thing. In our socialist country, the exchange that takes place between



Xinjiang and interior provinces and cities is an exchange for mutual support and assistance, and also a reciprocal exchange. It is even more so today, in particular, during reform, opening to the outside world, and the development of commodity production. When we ship something, it is both a contribution to and assistance for the country, and is even more for the purpose of receiving in exchange things that Xinjiang itself cannot produce or cannot be self-sufficient in. Shipping things out is for the purpose of shipping things in. The more the "outflow" of things, the more things can be received in exchange. Xinjiang is now able to produce some industrial and agricultural products that it was formerly unable to produce, and it has gone from being a net consumer to self-sufficiency with some surplus that it is able to ship out. This reflects the improvement in the level of Xinjiang's economic development. Furthermore, a modern economy is an open economy. With the further development of its economy, Xinjiang cannot and must not produce and use everything it needs. Instead, it should practice great socialist cooperation and commodity exchange and make Xinjiang a part of the world economic exchange circle, producing things that we are good at producing and exchanging them for things that we lack or need. Therefore, the thing we should worry about is not the outflow of "Xinjiang's resources," but whether we have more things that we can provide for shipment.

On the development of Xinjiang's resources, the following must also be said clearly: In the process of building and developing Xinjiang, the state has fully looked after the interests of peoples of all nationalities in Xinjiang. The national interest and Xinjiang's interest are identical. In recent years, a certain notion has existed to one degree or another among theoreticians and economic departments, and among cadres and the public, namely that the state has not sufficiently looked after Xinjiang's interests in the economic construction of Xinjiang. Some people believe that in investing in the building of enterprises, and in the development of mineral resources in Xinjiang, the state has taken away profits and taxes and that the local government has suffered. Some people believe that Xinjiang's shipments consist of overly low-priced raw and processed materials, but that fairly high-priced processed goods and manufactures are shipped in, and that Xinjiang suffers in this exchange. Some malefactors use these notions as a basis for stirring up strife, advancing the erroneous view that "the country is plundering Xinjiang's resources," and that Xinjiang should not serve as a "raw materials base." Therefore, some truths have to be stated clearly about the economic benefit relationship between the state and Xinjiang. Let us talk about profits and taxes. Take, for example, the extraction and refining of petroleum in Xinjiang. All of the investment for this came from the state, yet the state leaves 30 percent of tax receipts in Xinjiang. The main petrochemical plant in Urumqi has instituted a preferential 50-50 division of tax receipts between the central government and Xinjiang. What do the profits and the tax receipts that the state takes have to do with Xinjiang? In the end, they still do not make up

for the state's expenditures for construction in Xinjiang. Statistics show that, in the 35 years from 1953 through 1988, 130.74 billion yuan of national income was produced in Xinjiang, while 169.19 billion yuan of national income was used. This means that for the past 35 years, the state has allocated a net 38.45 billion in national income for use in the building of Xinjiang. Now let us take product prices. The overly low prices of raw and processed materials in China exist alongside all sorts of related subsidies and preferential policies. The state has instituted price subsidies and preferential policies for many years regarding materials shipped into Xinjiang, and it has provided prices higher than those prevailing inside Xinjiang for many materials shipped out. In addition, it provided subsidies through many policies. An example is the region's coal production, 80 percent of the investment for which the state paid for. At the same time, however, the state also pays 50 million yuan to subsidize losses, and the coal shipped outside Xinjiang (which is only 13 percent of output), is sold to fraternal provinces and regions at a price higher than in Xinjiang. In addition to production subsidies, the central government has provided the autonomous region a cumulative 27 billion yuan in government financial subsidies, which is more than 60 percent of the region's total government expenditures. This situation shows that the state has looked after Xinjiang very well, and that the view that there has been "plundering" and "losses" is wrong. Xinjiang is an organic and integral part of the national economy of the whole country. In terms of economic benefits, the Central Committee and Xinjiang, and the state and all nationalities in Xinjiang are completely identical. We hope that the state will be able to invest more in Xinjiang for further development of underground and aboveground resources so that we can use more resources to help the building of the country, and so that people of all nationalities will be able to obtain more real economic benefits at the same time.

#### **8. On Correctly Understanding and Dealing With the Religion Issue**

Xinjiang is an area in which many nationalities live in compact communities. It is also a place in which numerous religions prevail. For historical reasons, the effect of religion on society, culture, and the daily life of the masses is rather profound. One common feature of both the incident of serious beating, smashing, looting, and rioting of 19 May 1989, and of the Baren Township counterrevolutionary armed insurrection of 5 April 1990 was that a small handful of scoundrels unfurled the religion banner to hoodwink and coerce the unwitting public into carrying out reprehensible acts. They openly said that, "In the past, Marxism oppressed religion; now religion will oppress Marxism." They declared a holy war, openly calling for the establishment in Xinjiang of the East Turkistan Islamic Republic. How to understand and deal correctly with the religion issue in the face of such a grim situation became an important and pressing theoretical and real problem.

We believe that special emphasis must be placed on the several points in the religion issue:

**A. Unswerving Support for the Basic Marxist Viewpoint on Religious Issues.** Marxism holds that religion is an outgrowth of a society's development to a certain stage. It goes through a process of rise, development, and withering away. There are profound perceptual reasons and sociohistorical reasons for the existence of religion. The earliest advent of religion reflected people's imaginary and skewed understanding and fear of the natural world when the level of social productivity was extremely low. After entering the stage of a class society, religion continued to exist and develop because of the oppression and exploitation of the unfair social system from which people could find no escape and because the exploiting class used religion as an important spiritual method for numbing and controlling the masses. The ultimate withering away of religion can occur only after long struggle in which its social basis is eradicated. As an ideology of the old society bequeathed by history, religion believes in and worships supernatural deities, which are an illusory and upside-down reflection in people's consciousness of natural forces and social forces. It is an idealistic world view. Marx said clearly, "Religion is the opiate of the people." Lenin emphasized that "Marx's famous statement to the effect that religion is an opiate that numbs the people is the keystone of the whole Marxist world view of religious matters." Historically in China, the ruling class's use of various religions for control had a very negative effect on social and historical development. We must diligently study and uphold basic Marxist theory on religious issues. We must educate and guide the masses to accept scientific thinking, gradually establishing an atheistic point of view. This is our duty.

**B. Full Understanding and Correct Enforcement of the Party's Religion Policies.** With regard to the policy of freedom of religious belief, we must not just talk about the freedom to believe in religion, but also emphasize the freedom not to believe in religion, and particularly emphasize that forcing youth below the age of 18 to believe in religion is not to be allowed. The freedom of religious belief may not be construed to be freedom of religion. It cannot be supposed that religion is not to be subject to restrictions, and that anyone may do as he pleases. Religious activities are to be conducted strictly within the limitations permitted by the national Constitution, laws, ordinances, and party policies. Religion positively cannot be allowed to interfere with state administration, the administration of justice, education, marriage, and planned parenthood. All illegal religious activities are to be resolutely stamped out. In particular, all sorts of illegal and criminal activities conducted under the cover of religion are to be exposed and attacked, since such methods not only violate national and religious policies themselves, but are also a basic violation of the fundamental rights, including the religious rights, of the people of all nationalities. Currently, some people having ulterior motives raise the banner of religion to contend with us on the ideological and

cultural front, particularly on the rural ideological and cultural front. We must pay a high degree of serious attention to this. Specifically, some people use the implementation of religious policies to stir up religious frenzy with the real purpose of perpetrating splittist activities. We must have a clear understanding of this and resolutely oppose it. We must handle matters resolutely in accordance with state laws and party policies to put religious activities on a proper track. This can also effectively prevent various harmful trends.

**C. Communist Party Cadres and Revolutionary Cadres Must Establish a Dialectic Materialist and Historical Materialist World View Adhering to Marxist Principles.** Communist Party members should not believe in religion and take part in religious activities. In its world view, Marxism is opposed to all religions. Communist Party members are revolutionaries through and through, and materialist through and through. From the time that he enters the party, a Communist Party member should consciously uphold Marxism and communist beliefs. This is a concentrated embodiment and an important mark of the party's progressiveness. If a Communist Party member believes in religion, he is not a Communist Party member. The Constitution protects the freedom of religious beliefs, including the freedom not to believe in religion. The character, guiding principles, and discipline of the party requires that Communist Party members not believe in religion. Relevant Central Committee documents stipulate that, in order to forge links to the masses, Communist Party members at the grassroots level in minority nationality areas may properly respect and go along with ethnic customs and habits and take part in ceremonial activities having a religious complexion such as traditional marriages and funerals and in mass festival days. This is clearly different from participation in purely religious activities, and it should not be regarded ideologically as a pretext for religious belief. We positively cannot compromise on questions of principle; we must raise high the banner of materialism and atheism in demonstration of our clear-cut attitude. Party members are models for the masses. By persevering in their own correct stand on religious matters, party members can guide more people in advancing toward a scientific direction for a definite, steady improvement in society's mental outlook.

#### **9. Correct Handling of All Nationalities' Historical and Cultural Problems**

The history of the world in recent decades shows that in stirring up racial issues and creating national splits, imperialists, new and old colonialists, and national splittists create various kinds of reactionary public opinion on ethnic historical and cultural issues, using cultural splittism to clear the way for political splittism. In recent years, reactionary propaganda against Xinjiang from reactionary forces both inside and outside the country bent on ethnic splittism has also focused on historical and cultural issues in a fairly obvious and concentrated way. Therefore, while upholding the Marxist view of nationalities, we must uphold the Marxist conception of

history and conception of culture, criticize and refute the various reactionary fallacies that nationalities splittists inside and outside the country spread, strip them of their "academic" camouflage, and educate the broad masses of cadres and the public, particularly young people, in heightening vigilance and strictly guarding against being taken in. Doing this requires diligent study and mastery of the basic Marxist-Leninist standpoint and concepts in studying historical and cultural issues, drawing a clear line between them and the historical and cultural theories of various kinds and complexions of the bourgeoisie and colonialists, and drawing a line between them and pan-Islamic and pan-Turkic reactionary culture. Right now, we must pay particular attention to educating and guiding the broad masses of cadres and the public in clarifying the following points:

First, the Chinese people are a large unified family made up of 56 members, and the age-old history and culture of the Chinese people was created jointly by peoples of all nationalities. Each nationality enriched it and strengthened it with its own distinctive national culture; therefore, the relationship of the culture of each nationality to the total culture of the motherland is an "*e pluribus unum*" relationship. This is the result of the close political and economic relationship that has existed since ancient times between all minority nationality areas and inland areas of the motherland, and between one nationality area and another that cannot be changed by people's subjective wills. Naturally, many of the country's minority nationalities live in border areas where their culture may exhibit certain common traits with the culture of neighboring countries and areas because of historically close economic and social development, or because of the role of cultural exchanges and diffusion, or because of language and religious ties. Marxism has also never denied that there might be certain common traits in the different cultures of man. However, this is a completely different matter that is to be totally differentiated from the falsehoods that the bourgeois, colonialists, and external national splittist forces of recent years have publicized on a grand scale, such as a so-called "historical and cultural community," a so-called "common Turkish culture," and an "Islamic cultural community" based purely on religion and language. When studying cultural matters, in no case can there be a departure from the Marxist materialist view of history, nor can there be a departure from the principles of the interrelationship between the economic base and the superstructure, or between the cultural class nature in historically antagonistic societies and the cultural ideological nature in the contemporary antagonistic world. If we do so, we are not sober-minded Marxists.

Second, the development of any people's culture possesses historical continuity. A new culture cannot arise separate from an old culture. Therefore, the development of a people's culture is actually a process founded on material production and is a critical continuation of traditional culture. One positively cannot regard a people's traditional culture in the way that the bourgeois

liberalization trend of thought propagates, adopting an attitude of historical nihilism and national nihilism, forgetting one's own origins, and unduly belittling oneself. Nor can one swallow ancient learning without digesting it, prostrate oneself before the feet of the ancients, indiscriminately imitate, blindly laud to the skies, and have too high an opinion of oneself. A scientific and realistic attitude has to be taken when studying and analyzing historical personages and historical works of all nationalities, carefully guarding against being simplistic and one-sided. One other point that must be emphasized is that our advocacy and propagation today of a people's culture, and our emphasis on continuing people's traditions means continuation from a critical basis. It means continuation of development and innovation. This is fundamentally different from the so-called "return to tradition," and the so-called "rejuvenation movement" that certain people preach. We must educate the broad masses of cadres and the public in how to differentiate them, so that they are not taken in. In dealing with all nationalities' historical and cultural issues, we must bear firmly in mind and uphold throughout the policy that Comrade Mao Zedong advanced long ago, namely to discard the dross and select the essence, to make the past serve the present, and to weed through the old to bring forth the new.

Third, human culture is characterized by mutual exchange. There is no such thing as an immutable "pure" national culture. Refusal to absorb the outstanding cultural achievements of other peoples to enrich one's own culture can lead to stagnation and ossification of one's own culture. In a socialist country such as ours in which so many peoples are united, it is very evident that all nationalities have historically learned from and absorbed each other's culture. Today, the vanguard task of shaping a new man possessed of the "four haves," which is required by common political ideals and social development goals and the building of socialist culture, even more impels increasingly close cultural exchange and closeness among all nationalities, becoming a steadily advancing objective process. Marxists oppose both the artificial speeding up of this process and the artificial impeding of this process. Therefore, no matter whether studying and understanding the history and culture of a people, or developing and making a people's new culture flourish in the socialist period, the relationship between the distinctive traits of people's culture and the cultural traits common to all the Chinese people must be handled well. At the present time, we must particularly emphasize those traits in a people's culture that are identical with those of the culture of the Chinese people, and emphasize the unity of common traits and individual traits. These are just the things that the domestic and foreign splittist forces vainly attempt to do all in their power to ignore and deny.

Comrades, In the foregoing, I have discussed ideological perception problems in nine regards from different angles and with different emphases. However, they all have to do with the nationalities issue; they all have to do



with nationalities work and the unity of nationalities; and one might say that they have existed for many years in our region, and are deep ideological problems. These problems have to be constantly solved in future theoretical indoctrination of nationalities and in education on the unity of nationalities. Party organizations, departments concerned, and comrades at all levels have to make efforts in three regards. First is further initiation of the study of Marxist theory, using the Marxist standpoint, concepts, and methods in analyzing and dealing with nationalities problems, in analyzing and handling nationalities work, and with various problems raised in the unity of nationalities. Second is better academic and theoretical exploration. It is necessary to uphold the principle of seeking truth in facts and the policy of letting a hundred flowers blossom and a hundred schools of thought contend. Third is continuing to do a good job of propaganda and education work, particularly to do more in the field of Marxist nationalities theory and propaganda work. It is necessary to adhere to inculcation principles. Problems have to be dealt with realistically, concepts have to be elucidated in a clear-cut way, and ideological and theoretical work has to be done patiently and painstakingly.

#### **Uzbek, Xinjiang Garment Units Sign Agreement**

OW2809223590 Urumqi Xinjiang Television Network  
(in Mandarin 1400 GMT 25 Sep 90)

[By station reporter Tang Yusheng; from the "Xinjiang News" program]

[Text] [Video shows a ceremony during which documents are signed by Xinjiang and Uzbek representatives with other people looking on; the ceremony is followed by toasting.] A ceremony was held yesterday afternoon in Urumqi to sign a protocol on science and technology exchanges and a letter of intent on economic contracts between the Xinjiang branch of the China Garment Fashion Research and Design Center and the Garment Center of the Ministry of Light Industry of the Uzbek Soviet Socialist Republic of the USSR.

A delegation of experts from the Garment Center of the Ministry of Light Industry of the Uzbek Soviet Socialist Republic, headed by (Gevibova Jisimayilopna Maojidan), conducted technological exchanges with specialists of the Xinjiang branch of the China Garment Fashion Research and Design Center in Urumqi from 11 to 25 September. Both sides agreed that each has its strong points in fashion design and production technology, and that they can learn from each other to raise their design and production levels. The two sides also reached agreement on sending experts to each other side to give lectures, make visits, and do research.

#### **Xinjiang Sets Up Insurance Package for Foreigners**

HK0310110890 Hong Kong ZHONGGUO TONGXUN  
SHE in English 0902 GMT 3 Oct 90

["Xinjiang Sets Up Insurance Package for Foreign Experts"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, October 3 (HKCNA)—Foreign experts coming to Xinjiang Uygur Autonomous Region will be covered by insurance by the unit they will be working for.

The Xinjiang Uygur Autonomous Region Insurance Company and the Office of Foreign Affairs recently decided to set up a liability insurance scheme, as well as accident and property insurance for foreign experts working or studying in Xinjiang.

The insurance coverage is to be provided by the organizations and work units involved and will be handled by the Xinjiang Uygur Autonomous Region Insurance Company.

Any work unit applying to invite overseas experts to visit Xinjiang through the Office of Foreign Affairs needs to apply for this particular insurance.

The coverage for each person covered is set at RMB [renminbi] 30,000 for a 30-day period.

#### **Xinjiang Area Joins Nature Reserve Network**

OW0610214090 Beijing XINHUA in English  
1313 GMT 6 Oct 90

[Text] Beijing, Oct 6 (XINHUA)—Snow-covered Mt Bogda, which towers 5,445 m above sea level in the Xinjiang Uygur Autonomous Region, has recently been accepted by the International Network of Biosphere Reserves, according to an official from China's National Commission of Man and the Biosphere.

It is believed that this is China's first desert reserve to be included in the international network of nature reserves by the United Nations Educational, Scientific and Cultural Organization.

The Mt Bogda Biosphere Reserve, which includes the Sky Lake National Park and the Fukang Desert Ecological Station of the Chinese Academy of Sciences (CAS), is known for its diversity of ecological features, which include glaciers, alpine vegetation, forests, grassland and desert.

The establishment of the reserve is aimed at protecting rare animals, and the desert, forest and grassland environments there.

Researchers are expected to conduct regular scientific investigations and observations in the reserve.

### Article Details Hsiao Tien-tsan's Return

90CM0414A Taipei TZULI WANPAO in Chinese  
5 Aug 90 p 2

[Unattributed article: "If There Were Enough Applause From Everyone, I Would of Course Be Pleased"]

[Text] After he made public through an intermediary on 2 August that he had been nominated a member of the ruling party's planning group for constitutional reform, Hsiao Tien-tsan [5618 1131 6363], the former legal affairs minister who unhappily stepped down last year during the still unresolved golf course cronyism case, immediately turned up that same evening at a well-coming cocktail party given by the National U.S.-Taiwan Friendship Association. With great exuberance, he again confronted the intermediary "who had abandoned" him and once again deliberately extended a "bridge of friendship," in contrast to what occurred during last year's corruption case when he was in the awkward position of having to flee from the back door of the Legal Affairs Ministry. On the day of the cocktail party, a former director of the friendship association noted that, in 1984 when Hsiao Tien-tsan went to the United States to take part in the annual meeting of the friendship association, he won the applause of a packed hall for having loudly sung *Hope You Will Soon Return* and other such songs. The former director hoped that they could again have the chance to enjoy Hsiao's performance, and this time he sang, "If there were enough applause from everyone, I would of course be pleased." The tenor of these words cannot but make people think this might mean a return to politics.

Essentially, Hsiao Tien-tsan is a typical farmer's son who studied hard and succeeded. After graduating from the law faculty of National Taiwan University in 1958, he immediately was examined and made an official of the judiciary. His experience in the legal world includes having been a judge, the head of a judicial teaching department, and the chief clerk of a local court. Since 1972 he has consistently been elected to the Legislative Yuan as a Kuomintang [KMT] candidate. During that period, he was also deputy director of the KMT Department of Organizational Affairs, director of the KMT Department of Social Affairs, and deputy secretary general of the KMT Policy Coordination Committee. In 1986, he was made minister without portfolio, entering the cabinet by virtue of his excellent Legislative Yuan qualifications. And in 1988, he became legal affairs minister. It can be said that he possesses qualifications and experience in party, administrative, and judicial affairs and as a member of parliament and high-ranking government official.

Nevertheless, despite his abundant experience and eloquence, outsiders sometimes criticize Hsiao Tien-tsan's style as that of a "conservative hawk." During his meteoric rise, the only two reverses that he suffered both involved "cronyism." It is interesting that the first instance marked a turning point in his rise to the top and that the second forced him out of office.

In 1960 when Hsiao Tien-tsan was teaching in Taichung, his father-in-law asked him to come to Hualien. Hsiao's brother-in-law had become involved in the Hualien Yichun timber thief case. Hsiao told his "student," who was at that time handling the case, "This case must be properly investigated. Don't unjustly accuse anyone." The upshot was that Tsui Tsung-chuan [1508 1350 3123], then president of the Hualien district court, reported him to the Justice Ministry (the former Legal Affairs Ministry), and Hsiao later received a minor demerit. However, this small setback did not impede his upward climb. On the contrary, because of the strong impression that the incident made on Wang Jen-yuan [3769 0117 6678], then minister of justice, he began to pay attention to Hsiao Tien-tsan's actions. The result was that Wang found that Hsiao was one of those rare people of talent who was not only capable and experienced but quick-witted as well. Later, in 1972 when Chiang Ching-kuo was giving a big push to integrating the Taiwanese, Hsiao won, on Wang's recommendation, the KMT nomination to run for the Legislative Yuan from his hometown of Chiayi. This marked the beginning of his successful political career. It was in 1988, 18 years after this incident of cronyism had taken place, when he was taking over the Legal Affairs Ministry, that the media dug up the event, calling into question his personal integrity. But it was only a short-lived predicament. Given his strong roots in the party and government, everything quickly returned to normal.

After he succeeded in becoming Legal Affairs Minister, Hsiao enthusiastically began to conduct himself as a strong minister. For example, he vigorously attacked the Investigation Bureau, which had been under the influence of the military, and severed the connections for which the bureau director had personally been responsible. Whenever Hsiao inspected the localities, he listed the investigation offices and stations as the focal point, giving the impression that the bureau had been "trifling with the truth."

Furthermore, in addition to what concern there was about his style, the changing political situation at the time and his close party ties also caused this conservative personality to come into clear conflict with the innovations that the courts were making. In dealing with the younger court prosecutors who were stressing these judicial innovations, he often would want them to narrowly observe the "ethical" proprieties and not go beyond the law. He did not want them to see themselves as the embodiment of righteousness. This led to many prosecutors opposing him. During the March 1989 cronyism case involving Wu Tien-hui [0702 1131 1920], director of the Judicial Yuan's fourth department, Kao Hsin-wu [7559 2450 2976] of the judicial innovation faction resigned, refusing to handle it, and was publicly chastised. Outsiders saw this as Hsiao Tien-tsan's masterpiece. Soon afterwards, Hsiao issued instructions demanding that prosecutors not make their investigations public and that they talk about them less. This

caused a great deal of dissatisfaction. Some resigned as a result, and others transferred.

Another instance of Hsiao surprising people during his time as minister was his advocacy of "one country, two governments," which he "blurted out" during an April 1989 question and answer period in the Legislative Yuan. He was analyzing the situation on the two shores when he declared that, if there were a well-meaning response to the Chinese Communists' proposal for one country, two governments, then the government could put an end to the mobilization for suppression of the rebellion. For a time, this won the enthusiastic response of the outside world. Although today these words are no longer sensitive and are not new, at the time the government was surprised no end. Hsiao was forced to display his rhetorical skills soon thereafter by declaring that this was just his personal opinion.

Even though for more than a year of his ministerial tenancy, his style was always the subject of controversy, no one would have thought that he would have to leave office because of an another instance of cronyism. In August 1989, shortly after the first golf course corruption case broke, word got around that Hsiao Tien-tsan had "telephoned" officials of the physical education department in the Education Ministry asking favors for a friend. At the time this case occurred, he did not immediately make clear his position. It was two days later before he called a press conference to clear things up and deny any favoritism. However, because what he had to say was not that clear, it made outsiders even more suspicious. People had a field day making jokes about it.

Under pressure of strong public opinion, he was forced on three occasions to ask for a "leave of absence" to await the judicial investigation. However, calling the case a political plot and holding a hometown rally of 10,000 people in Chiayi to protest his innocence before God and the public provoked another controversy over illegal rallies. It was asked, "If Hsiao Tien-tsan can do it, why can't we?" Coincident with this, the prosecutor from the Taipei district prosecutor's office, Hung Wei-hua [3163 1218 5478], was forced to go on "vacation" and temporarily stop the investigation. On five occasions Peng Shao-chin [1756 4801 3866], the prosecutor from the Chiayi prosecutor's office, raised the issue with the party concerned, Ho Min [0149 2404], but to no avail. Later, with tears in his eyes, he handed over responsibility for the investigation to the Keelung district prosecutor's office. Many prosecutors signed a joint petition demanding that Hsiao resign, and there was a huge clamor from outsiders demanding that he step down. Although there was a joint petition from members of the Control Yuan expressing sympathy, and members of the Legislative Yuan declared their support for Hsiao, he ultimately was "persuaded" to resign after the KMT began to lose the balance of power. The pressure of public opinion was too great, and a number of opinion polls clearly showed that Hsiao was affecting the year-end election for the KMT. He declared in his resignation announcement that some people "had caused harm by

having worked intensely to start rumors and sow dissension." He said that he personally "had a clear conscience and that he absolutely blamed no one." His sadness and unwillingness to leave could be discerned in the resentment and dissatisfaction expressed in the wording of the announcement.

In fact, in addition to seriously trampling on the independence of the courts and destroying public confidence in the government, what concerned people about this unresolved case of favoritism was the political struggle that it caused again within the KMT itself. Shortly after the incident began to unfold, Hsiao claimed it was a political plot. The KMT immediately went all-out to characterize it as Hsiao's "high-level advice" to Ho Min, a section chief in the physical education department of the Education Ministry. A certain Control Yuan member even claimed that the "Hsiao Tien-tsan incident was the scheme of a good-hearted person, a good-hearted person who had only recently entered office." This gave a judicial case a political coloration. According to analysts, because the Investigation Bureau took it upon itself to "leak" the news that Hsiao was involved, outsiders as well as Hsiao himself were led to believe that it was all because he had, after becoming minister, taken charge of the bureau, which had for so long been occupied by the military, and had thereby alienated military personages. At the same time, because of his excellent relationship with Li Teng-hui, Hsiao became Premier Li Huan's [2621 3562] hot potato. Although Li Huan intended to order him to resign, Hsiao himself found it hard leave. In the end, as the case played out, it became more and more vehement. It not only caused political turbulence, it also gave rise to serious attacks on the "system of the two Li's" that had begun to be built beginning in May 1989. Politicians were convinced that the Hsiao case was one of the major reasons the two Li's were at odds with each other.

The art of politics is strength, and although Hsiao Tien-tsan has left office, his actions are the focus of great attention and are the constant subject of speculation. At the beginning of the year, he was "quietly" engaged as national policy adviser by the presidential palace. After a January "visit to friends" at central party headquarters, it was said that he would take over as head of the Central Committee Secretariat. When the cabinet was reorganized in May, it was said that the party Central Committee was considering excluding him from entering the cabinet again because of the storm that it could cause. It was also rumored that he would become chief of party administrative affairs. In July there was another rumor that he wanted to be deputy secretary of the National Security Council. Even though none of these rumors came to pass, they make clear the close ties he still maintains to the party Central Committee.

In fact, during last year's general election, in his capacity as Central Committee member, Hsiao was responsible for convening the KMT special group dealing with the Chiayi mayoral election. The degree of attention he is receiving was made manifest during his organization of a



special group to help the election of several Central Standing Committee members in counties and cities where the election situation was heated. Although the KMT suffered a setback in the general election in Chiayi, Hsiao's strength at the grass roots level was still to be reckoned with. During the current by-election in Chiayi for the Legislative Yuan, he is again responsible for the membership of a special group to aid the election personally led by Song Chu-yu [1345 2806 3842]. What is even more remarkable is that, during the debates on the presidential and vice presidential nominations at the 21 February 1990 KMT Central Committee plenary session, Hsiao's speech from the rostrum received a standing ovation. This makes perfectly clear his status in the mainstream faction.

Some say the fact that, whenever there were personnel shuffles, it was always rumored that he would be making a return was because Hsiao himself intended to have this known. And some even say that rumors of "dissent" were deliberately squelched. No matter whether the rumors were intentional or unintentional and whether he was being welcomed by the authorities or rejected by those who dissented, everything seemed to confirm Hsiao's potential strength in the party Central Committee and his potential threat to others.

It is being reported that the reason Hsiao can be nominated and become a member the KMT planning group for party and government reform is entirely because Chiu Chuang-huan [6726 0482 3562], another presidential political adviser who benefits from President Li Teng-hui's deep solicitude, at the time of the nomination "temporarily added" him. After the Chiu Chuang-huan incident, it was also explained that this arrangement was an attempt to make use of his familiarity with the law as well as his understanding of local people and conditions.

After nine months of quiet, Hsiao finally took the first step of his comeback. This again revealed his deep love of high position and how the authorities wanted him to leave office and lie low last year.

Although the KMT higher echelons have repeatedly set the stage for him and although he himself hopes that, with respect to the golf course incident, "what is past is past, and what comes can be pursued," whether after having been on quiet "charge" he can win the "renewed applause" of his party comrades and the people is the focus of great attention.

#### **New Envoys Named to Guatemala, Solomon Islands**

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1516 GMT 27 Sep 90*

[Text] Taipei, Sept. 27 (CNA)—The cabinet Thursday endorsed the appointments of Francisco H.L. Ou as the Republic of China [ROC] ambassador to Guatemala and Chang Shih-cheng as ROC ambassador to the Solomon Islands.

Ou, 50, of Taiwan, graduated from the Diplomacy Department of National Chengchi University and has served as the ROC representative in Chile and ROC ambassador to Nicaragua. He is currently the ROC representative in Argentina.

Chang, 65, of Fukien Province, graduated from the Diplomacy Graduate School of National Chengchi University and has served as the counselor at the ROC Embassy in Seoul. Chang is now the director general of the Houston office of the Coordination Council for North American Affairs.

### Formation of Political Groups Before 1991 Direct Elections

90CM0291A Hong Kong PAI HSING [THE PEOPLE] in Chinese No 218, 10 Jun 90 pp 66-67

[Article by Lin Pei-shan (2651 3805 3790) entitled: "Political Groups Display Their Organizational and Planning Prowess in Order to Participate in 1991 Legislative Council Direct Elections"]

[Text] Although the 1991 Legislative Council direct elections are still 15 months away and district assembly elections are 9 months away, forces on all sides are already working out their own positions and arrangements in preparation for the elections, and are expressing themselves relatively clearly. With regard to planning, organizing, establishing, and operating political organizations, recently there have also been efforts by business circles to break through and form a party, and this has received the most attention.

### The Group of 89 Gets Two for the Price of One

Early this year, 10 or so core members of The 89 Business Consultative Group proposed building a political party that embodies or can act on behalf of the interests of business figures; this party would participate in next year's Legislative Council and district assembly elections. Planning and organizational work has been slow, primarily because, apart from the dozen or so core members, other prominent business leaders in the political arena, such as Allen Lee Peng-fei [2621 7720 7378] and Chang Chien-ch'uan [1728 7003 3123], have all adopted a wait-and-see attitude. In addition, those primarily responsible for planning and organizing, such as Hu Fa-kuang [5170 3127 0342], Kuo Chih-ch'uan [6753 1807 2938], and T'an Hui-chu [6223 1920 3796], also often have had good reasons for doing other work.

In recent days, there have been breakthrough developments in the organization of a party by business circles. These include, in terms of structure, a shift from the original idea of establishing a single political party to the idea of establishing two organizations, one behind the scenes, and one in front, in keeping with the needs of business circles. In terms of personnel, they have obtained the approval of and allied themselves with Allen Lee Peng-fei, head of the Legislative Council.

The core of the Group of 89 and other business figures are not so enthusiastic about participating in elections, because, besides the fact that elections will reduce the time that they do business and make profits, they are not accustomed to going out and winning votes from the masses. For this reason, they are very resistant when it comes to the elections, and the only thing they hope to obtain is political influence.

Confronted with democratic groups forming parties to participate in government and political affairs, earlier this year the core of the Group of 89 also planned and

organized the Liberal Democratic Federation [LDF] as the political party of business circles.

In the process of planning and organizing, the core of the Group of 89 has taken inspiration from Japanese financial groups. As a result it has received two for the price of one, by shifting from planning and organizing the LDF to planning and organizing a group which links the LDF and leading figures from business and professional organizations.

According to my understanding, the role of the LDF is to participate before the political curtain rises, and the goal of the LDF is to make use of the elections. The organization must bring together people in political circles who have similar political views or who merit support from business circles, and bring them into the organization. It must also participate in district assembly elections in March 1991, in May's city government elections, and in the Legislative Council elections in October, and win as many seats as possible. In this way it can become a force that influences government policymaking and that can contend with the democratic factions in the legislative assemblies.

Business figures with no interest in participating in the three legislative assemblies may not necessarily join the LDF; they may choose to participate only in the group of business and professional leaders. This group will support the LDF after the curtain rises. Of course, this so-called support refers to financial support, with the group bearing the election expenses of LDF members, making initial estimates of the money required to support members in next year's elections, and planning on tens of millions in support.

The group of business and professional leaders will focus on government policymaking, particularly on policies related to the economy and government expenditures, and will make suggestions. The group will quietly use personal contacts to influence high-level government officials to accept their suggestions. As members of the business and professional leaders group who are players before the curtain goes up, the Liberal Democratic Federation must coordinate promoting itself or exerting pressure on the government in order to preserve the group's interests.

The merit of this plan is that business leaders who do not care for elections or who lack the strength to get elected can, via an intermediary organization (the LDF), wrest away the legislative assemblies' "deliberative powers." This is in keeping with the fears Hong Kong's business circles have of entering the political arena and with their fears that their interests would be harmed if the democratic factions held power. The advantage of two independent organizations is that the group of business and professional leaders can win over figures who are afraid of joining a political party and can flexibly handle support of proxies. This is because, in addition to supporting the LDF, they can support others in the election whose interests or views are close to those of the

group. They need not depend only on the LDF. If the LDF deteriorates, the group can quite easily sever relations with it.

According to my understanding, the two organizations both hope to become established between July and August. At present, they are discussing the particulars about the relationship between the two organizations. As for group's efforts to raise money, because the core of the Group of 89 has already asked Allen Lee to join, it has convinced some of the extremely wealthy locals that the group will be able to unite and represent the interests of business circles, and it has already received initial financial support.

#### **The Addition of Allen Lee Lends Impetus and Strength**

The long sought addition of Allen Lee was no doubt a strong shot in the arm for the Group of 89 in their planning and organizing a political party for business circles. Early in the year, when the Group of 89 began preparing plans for the LDF, they lobbied for Allen Lee's cooperation on many occasions and were willing to allow him to lead the preparations for a political party. However, Lee kept declining, revealing his weariness with political affairs. Allen Lee's greatest political capital, besides his leadership ability and appeal, is the group of senior Legislative Council and political figures who follow his lead. As a result, key figures in the Group of 89 altered course, hoping that Lee would help lobby a group of senior members appointed to the Legislative Council to join the LDF in name, in order to boost the momentum of the LDF.

In recent days things have taken a turn for the better. Allen Lee is now willing to join the LDF, although he has asked that this not be made public until September, primarily because he must still consider related matters and questions about election participation. Business figures say that Lee's business has already changed significantly, and if he does not do his utmost it will be hard to win back the leading position in electronics. Lee must make his choice. In addition, Lee has already pledged to campaign if he is going to be in the Legislative Council next year, but as to how much assurance there is of victory in the campaign, Lee indicates privately that in October everything will be clarified.

Lee's followers who have joined the LDF have already contacted grassroots and business and professional figures, and it should not be difficult for them to become the majority in the Legislative Council, which has attracted the attention of the Chinese and Hong Kong governments. This is because they could become the mainstream or ruling group, not only before 1997, but also in the Legislative Assembly of the Special Administrative Region after 1997.

According to reports, Lee has not yet discussed the matter of his LDF alliance with high levels of the Hong Kong government. He also has misgivings that joining the LDF could upset the current state of affairs in the

Legislative Council, which is inclined towards the government, saying privately that there should be explanations and discussions with high-level figures in the Hong Kong government.

Early on, the Chinese expressed the view that the partnership between Allen Lee and the Group of 89 was unacceptable. They branded Lee a member of a clique that favored Britain, saying he had done a lot on behalf of Britain with regard to questions about the political system and the right of abode. For this reason, Lee and the core of the Group of 89 met with Zhou Nan [0719 0589], director of XINHUA's Hong Kong Branch, to explain the situation. They indicated that Lee would not favor Britain or go against the general trend in this election, but would simply be pro-Hong Kong and take Hong Kong's interests as the primary subject, although the Group of 89 would also like Lee to jointly support the right of abode. This could also be considered as favoring Britain, although after vigorous lobbying by the core of the Group of 89, it was reported that the Chinese have not persisted in opposing the cooperation between Lee and the Group of 89; nevertheless they also have not expressed encouragement.

#### **Worries Remain Over Organizational and Personnel Matters**

Although business circles have recently made major breakthroughs in setting up a party, some worries remain. The first major problem is whether the division of work between the business and professional leaders group and the LDF is clear cut. On the pre-election political stage, the LDF must coalesce into a major player in the assemblies; this will go a long way in determining whether the opinions of the business groups can become a program. At present the LDF only has a general political program, and the attitudes on various policies held by the business group or the LDF are not yet clear enough to attract political figures to participate in next year's elections on behalf of the LDF. Although they have lobbied vigorously on the outside, if they enter the assemblies as a neighborhood faction or as district leaders, can they incorporate policy opinions which the business group works out in the future?

Moreover, if people with a relatively strong grassroots image join the LDF, although they could obtain financial help for the elections, if the public perceives them as representing business circles, the connection could detract from their appeal to voters.

In addition, there are some personnel questions. Because currently Lee has not made a final decision, he has not yet drawn senior appointed members of the legislative assemblies into joining the LDF. Although Lee himself has worked hard and become a leading figure in the LDF, there is the question of how he will actually cooperate with Tan Hui-chu, another assemblyman working honestly and actively to develop contacts with the grassroots level. Those who have moved around in the political arena know that from the beginning the two



men have not had a good cooperative relationship; for example, each organized a party in 1988. How they will cooperate this time and who will be party boss are questions which are difficult to solve.

#### **China's Mouthpiece Attacks the Hong Kong United Democratic Alliance**

The Hong Kong United Democratic Alliance [the Alliance], the political party of the democratic factions, was established in April. According to reports, at higher levels in the Alliance there have been knotty problems over selecting candidates for next year's elections. There is too high a concentration of Alliance members in certain areas, so that in areas such as Ch'uan K'uei, Sha T'ian, and Hong Kong Island West, there are more than two members interested in being elected to the Legislative Council.

Another line which the Alliance is working on is research on social policy and putting forward opinions. They convened a press conference to discuss their proposed bills dealing with imported labor and human rights, and are currently studying the Vietnamese boat people, the Medical Report, and many other social problems.

The Hong Kong United Democratic Alliance published an article expounding their views on imported labor, which immediately drew an attack by China's hatchet man, A Zhi [7093 4249], columnist and writer for WEN WEI PO. The China News Agency also published a commentary denouncing the Alliance for raising opposition to imported labor. Yet only by diligently trying to draw in the grassroots levels can they make a society which opposes their involvement change and come to terms.

The Chinese hatchet man used a conspiracy theory to label the Alliance. This reflects the fact that many of Hong Kong's Chinese figures harbor major grievances against Hong Kong democratic factions that were deeply involved in supporting China's democratic movement. Personal attacks on Alliance chairman Martin Lee Chu-ming [2621 2691 6900] are often published in pro-China newspapers. The Alliance has diligently tried to draw a clear distinction between itself and the Hong Kong Alliance in Support for the Patriotic Democratic Movement in China, and has let it be known that it will deal with the mainland. Although up to now there has been no reaction to this on the Chinese side, in private the Chinese are suave rascals who still vigorously attack the democratic factions.

The Hong Kong United Democratic Alliance has not had an integrated social program during its planning and organizing period. This causes people to worry about whether the Alliance is different from miscellaneous professional and grassroots figures, who only use democracy as a way to appeal to people. It makes them wonder whether the Alliance will be able to establish an integrated social policy. In the first two months since its establishment, the attitudes of the Alliance have leaned towards grassroots interests, such as opposing imported labor, and towards drawing closer to organizations of other grassroots democratic factions. This represents a threat to the political organizations of the other two democratic factions

with broad bases- the Turning Point and the Association for Democracy and People's Livelihood [the Association].

#### **The Turning Point and the Association Readjust Their Orientation**

The Turning Point and the Association for Democracy and People's Livelihood are in the midst of readjusting their internal orientation, and welcome the emergence of the Alliance. The Association suggested organizing the middle and lower strata to adopt a political party. The higher levels of the Association estimate that the loss of membership would not be too serious, because they could penetrate the grassroots level, organize contacts, and make up for the loss. The problem is that the Association's 29 assembly members who are in the three levels of assemblies must choose either the Association or the Alliance when they participate in next year's elections. Of these 29, 20 have joined the Alliance; the most pessimistic view is that all 20 will represent the Alliance in the elections, although some at high levels in the Association believe that some of the assembly members could still use the Association's name when participating in elections. It is possible that the Association could lose a large number of assembly members. This is a crisis, and the Association is also consulting with its members, hoping to make them understand the objective environment, pooling their strength to plan a new direction for the Association, and developing its work.

After Chang Ping-liang [1728 3521 5328] was appointed chairman of the Turning Point, he supported different tactics than did the previous chairman, Yang Sen [2799 2773], and the Turning Point did not painstakingly seek more seats in the assemblies. Its objective in next year's direct elections for the Legislative Council is only to "top zero." The hope is that at least one Turning Point member will enter the Legislative Council, and bring the views of the Turning Point into the assemblies. Because the Turning Point allows its members to represent other associations in the elections, its members who are in the assemblies do not leave the organization.

The Turning Point and the Association for Democracy and People's Livelihood must seek their own seats, and distinguishing themselves from the Alliance will not be easy. However, the work of organizations which lie between the democratic factions and business circles has been even harder to develop. These groups include the Association to Build Hong Kong, made up of figures from middle-of-the-road factions, and the Hong Kong Association to Promote Democracy, made up of four Legislative Council members, including Liang Chih-hong [2733 2535 7703] and Mai Li-chueh [7796 3810 6030]. Members of the Association to Build Hong Kong have little name recognition in the political arena and lack close relationships with the masses. At present they are concentrating on developing research, hoping to put forward constructive suggestions and gain the favor of Hong Kong's government and residents. The two well-known members of the group include Ch'eng Chieh-nan [4453 0094 0589] and T'an Yao-tsung [6223 5069 1350], who are preparing to participate in next year's Legislative Council elections, although

they will participate as individuals, under their own names. The Association to Build Hong Kong has no intention of pushing even more members to participate in elections. The Hong Kong Association to Promote Democracy has been planning and organizing for a few months, yet it is still in the stage of recruiting members and raising funds and has not as yet officially begun operating. These organizations must establish their positions. They have their work cut out for them.

The final item to touch upon is the situation for the forces favoring the mainland. Ji Pengfei [1213 7720 7378] of the Hong Kong and Macao Office of the State Council of China has clearly stated that there are people who want to actively participate in the 1991 direct elections. Left-wing trade unions and social organization associations in the new territories are already working to respond, and are in fact working hard to organize figures to participate in elections. As for figures close to China, there have been many rumors in recent days; although the response was far from ideal when such figures wanted to organize a "Welcome the Return to China Movement" on 1 July, in recent days many prominent figures close to China have become interested in participating in next year's direct elections for the Legislative Council or in elections in functional organization. These include Huang Yi-hong [7806 1355 1738], Chien Fu-yi [4675 4395 6318], Tsou Tsan-chi [6760 3503 1015], Liang Chen-ying [2733 2182 531], and Yang Hsiao-hua [2799 1321 5478]. It is still unclear whether the Chinese side really wants to encourage these figures to make a great effort to participate in elections. After people in political circles hear about these figures participating in elections, they laugh and want to know where their votes would come from.

In recent days, XINHUA director Zhou Nan remained occupied with shuttling back and forth among local organizations, making extremely flattering statements about these organizations in order to win over local people. Yet it is a pity that more than 100,000 people attended this year's 3 and 4 June commemoration of the 4 June events. This demonstrated that the masses still harbor major grievances towards China, and that to be "close to China" in Hong Kong is still to bear a burden; there is very little belief in those raising left-wing or pro-China banners in next year's elections.

**Drafting of Basic Law for Macao Proceeds Smoothly**  
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OVERSEAS EDITION in Chinese No 26,  
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[Article by Lan-te (7061 1795) entitled: "Special Topic Subgroups Begin Drafting Basic Law Articles, Drafting of Macao Basic Law Proceeds Smoothly"]

[Text] The Macao Special Administrative Region [SAR] Basic Law Drafting Committee convened its fourth plenary session from 7 to 9 June in Beijing. They deliberated and discussed the work reports which each special topic subgroup had submitted to the full committee, and there was a tentative discussion of methods for producing a Macao SAR

flag and insignia. In addition, the work schedule for the Basic Law Drafting Committee in the second half of this year and into next year was arranged. Following this meeting, drafting work on the Macao Basic Law will be entering an important stage in the drafting of articles.

A visit to Macao by mainland committees was an important part of the work begun in the first half of the year by the Basic Law Drafting Committee's special topic subgroups. From 6 to 18 March, mainland committees of five special topic subgroups spent 13 days carrying out investigation and research in Macao at the invitation of the Macao Basic Law Consultative Committee. With assistance from and arrangements by the Macao Basic Law Consultative Committee, the mainland committees, along with the local drafting committee, conducted a wide-ranging investigation and inquiry into Macao society. They mixed with figures from all circles of society, conducted 25 informal discussions with 600 persons representing various aspects of the society, and listened to their opinions and suggestions concerning drafting the Basic Law. Widespread popular opinion in Macao holds that the mainland committees' visit to Macao was an excellent opportunity to further their understanding and deepen their research of Macao, as well as a way of strengthening links with and mutual understanding of figures at all levels of Macao society. The investigations and research carried out during this visit will enhance the mainland committees' knowledge and understanding of all aspects of conditions in Macao and promote the exchange and linking of various opinions. This will benefit each special topic subgroup in amply researching and investigating many aspects of the opinions about the Basic Law, and drawing up a first draft of Basic Law articles which embodies the principle of "one country, two systems," conforms to the realities of Macao society, reflects the special characteristics of Macao society, and which is acceptable to the majority of Macao residents.

This year from 4 to 10 May, the Macao Basic Law Drafting Committee convened the third meeting of its special topic subgroups in Hangzhou. During the meeting, committee members generally held that since the establishment of the Basic Law special topic subgroups, they have already been highly effective in developing preparatory work for drafting Basic Law articles. Committee members held discussions concerning various views gathered during the period of investigation and research in Macao. Based on their assimilation of the opinions of figures in various circles of Macao society, each special topic subgroup seriously studied and reached a common understanding of the main principles underlying each chapter and section of the draft of the Basic Law. Committee members unanimously believe that the draft of Macao's Basic Law must implement the principle of "one country, two systems," clearly stipulate that the Macao SAR will not implement the system or policies of socialism, ensure that the Macao SAR will enjoy a high level of autonomy, and must preserve Macao's current social and economic systems and lifestyle for 50 years. The Basic Law must not only maintain the sovereignty of the country, but also stipulate

the administrative powers, legislative powers, independent judicial powers, and the power of final judgement to be enjoyed by the Macao SAR. It must also set out the basic rights and freedoms Macao residents will enjoy, and stipulate the economic, cultural, and other policies that will be implemented within the next 50 years in Macao. Committee members heavily emphasized the need for the draft of Macao's Basic Law to be based on Macao's real situation; it should reflect the reality and special characteristics of Macao society, and take into account the opinions and interests of figures from all levels of Macao society. When drafting the articles, relevant provisions of Hong Kong's Basic Law may be considered, however these must be in accordance with Macao's real situation. Thanks to the joint efforts of committee members, each special topic subgroup separately completed the primary agenda. Each special topic subgroup submitted discussions and drafts to the work report of the Macao SAR Basic Law Drafting Committee's fourth plenary session.

At the opening ceremony of the fourth plenary session of the Macao SAR Basic Law Drafting Committee, committee chairman Ji Pengfei [1213 7720 7378] had high praise for the work done over the past six months by all the special topic subgroups, and spoke highly of the free exchange and cooperation between the Basic Law Consultative Committee and the Basic Law Drafting Committee.

During the three day meeting, committee members He Houhua [0149 0624 6985], Wang Shuwen [3769 0647 2429], Xiao Weiyun [5618 1414 0061], Wu Rongke [0702 2837 1870], and Xue Shousheng [5641 1108 3932], representing respectively the five special topic subgroups on relations between the central government and the Macao SAR, residents' basic rights and duties, the political system, the economy, and cultural and social affairs, presented their work reports to the full committee. In the work reports, each special topic subgroup reviewed the work done in the preceding stage, especially the common understanding each special topic subgroup reached concerning the main principles underlying each chapter and section of the draft of the Basic Law. They also made suggestions concerning succeeding work steps for the special topic subgroups. Committee members divided into groups and seriously debated each special topic subgroup's work report, discussed questions raised by each special topic subgroup, and expressed many views and good suggestions. For example, concerning structural questions about the third article, committee members generally felt that the decision to divide up the third article should be made based on the situation during the drafting process. Concerning the question of "garrisoning troops," committee members agreed that the Sino-Portuguese Joint Declaration clearly stipulates that "the defense of the Macao SAR is the responsibility of the Central People's Government," and that it will be written into the Basic Law. Committee members generally believed that stipulations concerning environmental protection should be formulated in the

Basic Law. With regard to methods for producing an "SAR flag and insignia," committee members suggested inviting some specialists to come up with a number of designs based upon suggestions solicited from a wide-range of figures in various circles of Macao society. These designs could be supplied to a specially established public appraisal committee for selection. During the three day meeting, committee members expressed their views freely, spoke uninhibitedly, and generally expressed satisfaction with the more than six months of work done by each of the five special topic subgroups. Committee members also were able to more or less reach a consensus concerning major questions and suggestions which the special topic subgroups had raised in the work reports. Committee members also had high praise and expressed gratitude for the six months of work done by the Macao SAR Basic Law Consultative Committee.

In his summarizing statements at the closing meeting on 9 June, committee chairman Ji Pengfei set out a plan for the next stage of work by the Drafting Committee. According to the draft work plan of the Macao Basic Law Draft which was adopted at the first plenary session of the Basic Law Drafting Committee, the Drafting Committee will solicit a preliminary draft of the Macao SAR Basic Law in the second half of 1991. After the fourth plenary session of the Basic Law Drafting Committee, each special topic subgroup will set about drafting the articles for each chapter and section of the Basic Law, which will be submitted for discussion to the fifth plenary session of the Macao Basic Law Drafting Committee in December. Discussions at this session will focus on articles drafted by the three special topic subgroups which deal with relations between the central government and the Macao SAR, the economy, and cultural and social affairs. At the sixth plenary session, to be held in the first half of 1991, the key discussion will be about articles drafted by the special topic subgroups which deal with residents' rights and duties and the political system; articles drafted by the other special topic subgroups will also be discussed. In the second half of 1991, solicitations for the preliminary draft of the Macao SAR Basic Law will be discussed and adopted, and the work of soliciting opinions will begin on the mainland and in Macao.

According to the fourth plenary session of the Drafting Committee's work plan for the next stage, after the full meeting concludes, special topic subgroups will immediately convene meetings. Members of each group will divide the work on respective articles according to their individual drafting responsibilities. After completing their sections of drafting work on the articles of the chapters and sections of the Basic Law, Macao and mainland committee members will submit the drafts for discussion at two special topic subgroup meetings. The meetings will be held in September and November of this year. Committee members have repeatedly expressed the need to conscientiously complete the drafting work for each chapter and section article based on fully listening to and studying opinions from all sides.



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